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# Information for uniform CPA examination candidates, effective May 1998

American Institute of Certified Public Accountants

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

# ***Information for Uniform CPA Examination Candidates***

***FOURTEENTH EDITION • EFFECTIVE MAY 1998***

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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***FOURTEENTH EDITION • EFFECTIVE MAY 1998***

*This booklet was prepared by the Board of Examiners of the American Institute of Certified Public Accountants. Under the bylaws of the Institute, the Board is responsible for supervising the preparation of the Uniform CPA Examination and conducting the Advisory Grading Service. This booklet is an expression of the Board's policy for these activities. The Board expresses its appreciation to the National Association of State Boards of Accountancy and the state boards of accountancy for reviewing this booklet.*

*This booklet has not been formally approved by the AICPA Council or membership. Therefore, it does not represent an official position of the American Institute of Certified Public Accountants.*

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# Preface

The information provided in this booklet is intended to help candidates prepare for and write the Uniform Certified Public Accountant (CPA) Examination. The fourteenth edition incorporates the revised Content Specification Outlines, includes a new section on cheating on the Examination, and explains how the Examination's passing standard is set.

There is a continuing need for CPAs, and the accounting profession welcomes all qualified persons to its ranks. The Uniform CPA Examination is a measure of professional competence and establishes the CPA certificate as evidence of professional qualification.

The Uniform CPA Examination and the Advisory Grading Service were first made available by the American Institute of Certified Public Accountants in June 1917. Eventually, these examination services were adopted by all states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. As a result, the CPA certificates of all jurisdictions are substantially on the same footing, a condition that has enhanced the national prestige of the CPA designation and has aided the interstate practice of public accounting.

I urge those interested in becoming CPAs to read this booklet carefully.

Barry Melancon, *President*  
*American Institute of Certified Public Accountants*

*New York*  
*December 1997*

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# Introduction

This document has been prepared by the Board of Examiners of the American Institute of Certified Public Accountants (AICPA) and is intended for those preparing to take the Uniform Certified Public Accountant Examination. Individuals who want information on how to apply to become a CPA should contact the board of accountancy in the jurisdiction from which they seek the CPA designation. Appendix B—Boards of Accountancy provides a directory of the jurisdictions that award the CPA designation.

## Certified Public Accountant

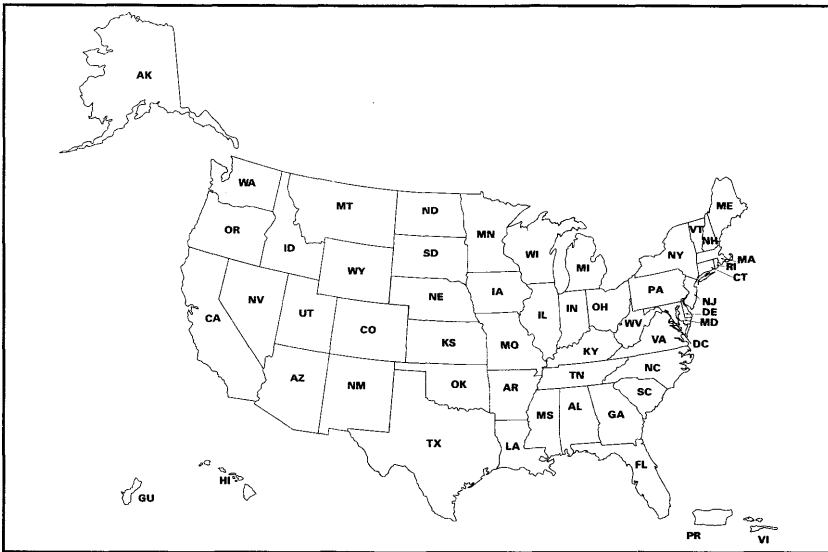
*Certified Public Accountant (CPA)* is a designation conferred by a state or similar governmental jurisdiction that authorizes the holder to practice as a certified public accountant in that jurisdiction. Licensing of CPAs helps to protect the public from substandard work performed by incompetent individuals.

## Boards of Accountancy

Specific requirements for becoming a CPA and the rights and obligations of a licensed CPA are set forth in the laws and regulations of fifty-four United States jurisdictions. These jurisdictions appear on the map on page 2.

The laws of each jurisdiction establish a board of accountancy as an administrative branch of the jurisdiction's government. The board is responsible for safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as CPAs. The board evaluates the qualifications of candidates, administers examinations, issues certificates and licenses to practice,





promulgates rules of professional conduct, investigates complaints, holds hearings, and takes disciplinary action.

Every jurisdiction has specific requirements for a candidate to become licensed as a certified public accountant. The requirements, which vary among the jurisdictions, may include precertification education, passing the Uniform CPA Examination, and experience. Those who practice as CPAs must understand and abide by the specific laws and regulations of the jurisdiction in which they practice.

## **National Association of State Boards of Accountancy**

The National Association of State Boards of Accountancy (NASBA) is a voluntary organization that coordinates the activities of the fifty-four boards of accountancy. NASBA provides numerous programs and services to assist state boards in completing their responsibilities.

- The CPA Examination Review Board, appointed by NASBA, annually reviews the preparation, grading, security, and administration of the Examination.
- The Grade Reporting and Statistical Information Program assists the boards of accountancy in processing examination

grades and in compiling jurisdictional and national statistical information on examination performance.

Additional information about NASBA may be obtained by writing to NASBA, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417.

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# The Uniform CPA Examination

## Background

Examinations were first used to test the qualifications of public accountants in New York State in 1896. As the country and profession grew, more states enacted accountancy laws that required individuals to pass an examination to qualify as certified public accountants. The Uniform CPA Examination was first administered in 1917. By the 1960s, all jurisdictions in the United States required new CPAs to have passed the Uniform CPA Examination prepared by the AICPA and graded by its Advisory Grading Service. Acceptance of the Uniform CPA Examination by all jurisdictions has greatly improved the ability of CPAs to obtain reciprocal recognition by other jurisdictions.

## Nondisclosure of Examination Questions and Answers

Effective with the May 1996 Examination, the Uniform CPA Examination became nondisclosed. Nondisclosure means that candidates are not allowed to retain or receive their question booklets after the examination. However, the AICPA updates and publishes *Selected Questions & Unofficial Answers Indexed to Content Specification Outlines*, which contains pre-1996 examination questions and nondisclosed examination questions that will not be used on future examinations.

There are three major benefits to not disclosing items on the Uniform CPA Examination:

1. Examination quality can be improved through the use of pretested items.

2. By using statistical equating methods, examinations given at different times can be compared to each other and adjusted for variations in difficulty.
3. Computer administration of future Uniform CPA Examinations will be facilitated.

The first two benefits further help to ensure that the examination is fair to all candidates by keeping the examination and the standards required for passing consistent over time. The third benefit may reduce the time it takes most candidates to complete the examination and may make it possible for boards of accountancy to offer the examination more frequently than twice a year.

To realize these benefits, Uniform CPA Examination questions and answers must remain nondisclosed. Since questions may be reused on examinations to achieve the benefits described, it is necessary to require that candidates and others not divulge the questions after the examination has been administered. Candidates are required to read the following policy statement on each Uniform CPA Examination Booklet and to sign and date the front of the Booklet, signifying that they agree to comply with the policy, before they are allowed to open the Booklet.

I hereby attest that I will not divulge the nature or content of any question or answer to any individual or entity, and I will report to the board of accountancy any solicitations and disclosures of which I become aware. I will not remove, or attempt to remove, any Uniform CPA Examination materials, notes, or other unauthorized materials from the examination room. I understand that failure to comply with this attestation may result in the invalidation of my grades, disqualification from future examinations, and possible civil and criminal penalties.

Statutes and rules of the jurisdictions in which the Uniform CPA Examination is administered stipulate various penalties associated with disclosure of examination material. These may differ across jurisdictions but could include withholding examination scores and a variety of administrative and legal penalties.

## **The Board of Examiners and the Examinations Team**

The Board of Examiners (the Board) is an executive committee of the AICPA with overall responsibility for preparing and grading the examination. This responsibility is carried out by five subcommittees that report to the Board of Examiners: Auditing; Financial Accounting & Reporting; Accounting & Reporting—Taxation, Managerial, and Governmental and Not-for-Profit Organizations; Business Law & Professional Responsibilities; and Standard Setting. Each of the subcommittees, other than Standard Setting, is responsible for the preparation of its section of the examination. This responsibility includes reviewing questions and unofficial answers for technical accuracy, relevance to practice as a CPA, compliance with content specification outlines, and appropriate range and level of skills and knowledge needed to practice as a CPA. The Standard Setting Subcommittee is responsible for establishing the grading bases for each examination section as discussed on pages 37 and 38.

Members of the Board and its subcommittees are practitioners or educators selected for their knowledge of the subject matter relevant to the practice of public accountancy. The members of the Board include the chair of each preparation subcommittee and members of the Board's other subcommittees. The Standard Setting Subcommittee is made up of the chairs of the preparation subcommittees and other individuals with relevant skills.

The AICPA Examinations Team, which carries out the Board's policies, consists of CPAs and attorneys who specialize in the technical content of the Uniform CPA Examination; testing specialists; desktop publishing professionals; systems management personnel; and administrative personnel. The staff is responsible for developing, producing, shipping, and grading the Uniform CPA Examination.

Additional information about the AICPA and the Examinations Team is available on the AICPA's Website (*AICPA Online*: <http://www.aicpa.org>; *Examinations Team*: <http://www.aicpa.org/exams>). Visitors to the Website can access profession-related information and discover the latest developments in accountancy.

## Examination Dates, Structure, and Times

The examination is given twice each year, in May and November, as follows:

1998 — May 6, 7  
November 4, 5

2001 — May 2, 3  
November 7, 8

1999 — May 5, 6  
November 3, 4

2002 — May 8, 9  
November 6, 7

2000 — May 3, 4  
November 1, 2

The examination is administered only within the boundaries of the fifty-four United States jurisdictions that use the examination.

The examination consists of four separate sections. These sections are administered over a two-day period with the following time allocations:

<i>Section</i>	<i>Hours</i>	<i>Day</i>	<i>Time</i>
Business Law & Professional Responsibilities	3.0	Wednesday	9:00 A.M.–12:00 NOON
Auditing	4.5	Wednesday	1:30 P.M.–6:00 P.M.
Accounting & Reporting— Taxation, Managerial, and Governmental and Not-for- Profit Organizations	3.5	Thursday	8:30 A.M.–12:00 NOON
Financial Accounting & Reporting	4.5	Thursday	1:30 P.M.–6:00 P.M.
Total	<u>15.5</u>		

The examination questions and answers are given and graded only in English.

Candidates' knowledge and skills are assessed by requiring responses to questions in three different formats:

- Four-option multiple-choice format
- Other objective answer format
- Essay question or problem format

These formats are assigned the following percentages for each examination section:

<i>Section</i>	<i>Format</i>		
	<i>Four-Option Multiple-Choice</i>	<i>Other Objective Answer Formats</i>	<i>Essay Questions or Problems</i>
Business Law & Professional Responsibilities	50 – 60%	20 – 30%	20 – 30%
Auditing	50 – 60%	20 – 30%	20 – 30%
Accounting & Reporting— Taxation, Managerial, and Governmental and Not-for- Profit Organizations	50 – 60%	40 – 50%	None
Financial Accounting & Reporting	50 – 60%	20 – 30%	20 – 30%

## Pretesting

About 10 percent of the multiple-choice questions on each section of the Uniform CPA Examination are included for pretesting only and are not included in a candidate’s final grade. The ability to pretest questions increases the quality of future examinations by eliminating questions that candidates find ambiguous and contributes to a more consistent level of examination difficulty.

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# Cheating

Boards of accountancy and the Board of Examiners take cheating on the Uniform CPA Examination very seriously. If a board of accountancy determines that a candidate has cheated, the candidate will be subject to a variety of penalties including, but not limited to, invalidation of grades and disqualification from subsequent examination administrations. In cases where cheating is discovered after a candidate has obtained a CPA certificate, a board may rescind the certificate.

Some actions, among others, that may be considered cheating are:

- Falsifying credentials
- Copying answers from another candidate during the examination
- Helping another candidate during the examination
- Unauthorized communication with another individual, in or out of the examination room, during the examination
- Using unauthorized materials during the examination
- Taking written material, notes, etc. from the examination room
- Divulging examination information in violation of the nondisclosed examination policies

Boards of accountancy use a variety of procedures to prevent candidates from cheating on the examination. Proctors are trained to watch for unusual behavior and incidents during the examination and to document the occurrence of any unusual activity.

During the grading process, the AICPA Advisory Grading Service instructs graders to report all cases of unusually similar responses. After grading is complete, the Advisory Grading Service sends to each board of accountancy a report that identifies candidates whose patterns of answers are unusually similar. Boards of accountancy may use this report to support an existing investigation into possible cheating or to initiate such an investigation.



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# Examination Focus and Content

## Focus of the Examination

The focus of the examination is on the broad range of knowledge and skills CPAs need to plan and implement a public accounting engagement. Thus, the examination tests a broad range of skills, at various cognitive levels, that are necessary to practice as a CPA. The cornerstone to answering examination questions is knowledge and the comprehension of that knowledge. In addition to knowledge, many answers require application and analytical skills related to business information. Still other answers, especially essays and problem solutions, require evaluation, judgment, presentation, and decision-making ability related to accounting and auditing information in business situations.

All sections of the examination test a candidate's analytical skills. Examples of these skills are:

- Analyzing information and identifying data relevant to the situation.
- Assessing materiality and identifying risk.
- Identifying and explaining auditing procedures, accounting and reporting situations, and potential legal issues.
- Understanding and evaluating information technology.
- Evaluating situations, formulating conclusions, and making recommendations.
- Preparing auditing and accounting findings, conclusions, and recommendations in written report format.

## General Content of the Examination

The content of the examination is based primarily on the results of two national studies of public accounting practice and the evaluations of CPA practitioners and educators. The content of each examination section is described in outline form. These outlines provide a framework, or “blueprint,” for the knowledge and skills tested on the Uniform CPA Examination. Each major content area in the outlines is preceded by a roman numeral and is followed by a percentage that represents the approximate weight given to that content area. Examination items are selected from the content represented by the capital letters and numerals listed under each roman numeral.

In addition to testing technical knowledge and skills, selected essays on the auditing, financial accounting & reporting, and business law & professional responsibilities sections are graded for writing skills. Evaluation of candidates’ writing skills in each of these three sections accounts for 5 percent of the respective section’s grade.

## Study Aids

Candidates have access to Uniform CPA Examination questions published before May 1996 by ordering past examination booklets (for most Examinations given between May 1992 and November 1995 only). In addition, the Examinations Team continues to publish *Selected Questions & Unofficial Answers Indexed to Content Specification Outlines*. This publication includes some questions from nondisclosed examinations as well as a chart listing the total number of multiple-choice, other objective answer format, and essay questions and problems by each section’s content specification outline, beginning with the May 1996 Uniform CPA Examination. These Examinations Team publications, and others, may be ordered from the AICPA by using the Uniform CPA Examination Publications Order Form, located in Appendix C.

Sample questions appear in Appendix A and on the AICPA’s Website (*AICPA Online*: <http://www.aicpa.org/exams>).

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# Content by Section

The Content Specification Outlines have been revised to reflect changes enacted by the Board of Examiners in late 1997. These changes, effective for the May 1998 Uniform CPA Examination, have been prompted by new pronouncements and changes in the profession, such as the effect of computers on the practice of public accountancy.

## Auditing

The auditing section covers knowledge of generally accepted auditing standards and procedures and the skills needed to apply them in auditing and other attestation engagements. This section tests that knowledge and those skills, as appropriate, in the context of the four broad engagement tasks that follow.

### *Auditing content specification outline*

- I. Plan the engagement, evaluate the prospective client and engagement, decide whether to accept or continue the client and the engagement, and enter into an agreement with the client (40%)
  - A. Determine nature and scope of engagement
    - 1. Generally accepted auditing standards
    - 2. Standards for accounting and review services
    - 3. Standards for attestation engagements
    - 4. Compliance auditing applicable to governmental entities and other recipients of governmental financial assistance
    - 5. Other assurance services

6. Appropriateness of engagement to meet client's needs
- B. Assess engagement risk and the CPA firm's ability to perform the engagement
    1. Engagement responsibilities
    2. Staffing and supervision requirements
    3. Quality control considerations
    4. Management integrity
    5. Researching information sources for planning and performing the engagement
  - C. Communicate with the predecessor accountant/auditor
  - D. Decide whether to accept or continue the client and engagement
  - E. Enter into an agreement with the client as to the terms of the engagement
  - F. Obtain an understanding of the client's operations, business, and industry
  - G. Perform analytical procedures
  - H. Consider preliminary engagement materiality
  - I. Assess inherent risk and risk of misstatements
    1. Errors
    2. Fraud
    3. Illegal acts by clients
  - J. Consider internal control
    1. Obtain and document an understanding of internal control—automated and manual
    2. Assess control risk
    3. Consider limitations of internal control
    4. Consider the effects of information technology on internal control
    5. Consider the effects of service organizations on internal control
  - K. Consider other planning matters
    1. Using the work of other independent auditors
    2. Using the work of a specialist

3. Internal audit function
  4. Related parties and related party transactions
  5. Electronic evidence
- L. Identify financial statement assertions and formulate audit objectives
1. Accounting estimates
  2. Routine financial statement balances, classes of transactions, and disclosures
  3. Unusual financial statement balances, classes of transactions, and disclosures
- M. Determine and prepare the work program defining the nature, timing, and extent of the auditor's procedures
- II. Obtain and document information to form a basis for conclusions (35%)
- A. Perform planned procedures including planned applications of audit sampling
1. Tests of controls
  2. Analytical procedures
  3. Confirmation of balances and/or transactions with third parties
  4. Physical examination of inventories and other assets
  5. Other tests of details
  6. Computer assisted audit techniques
  7. Substantive tests prior to the balance sheet date
  8. Tests of unusual year-end transactions
- B. Evaluate contingencies
- C. Obtain and evaluate lawyers' letters
- D. Review subsequent events
- E. Obtain representations from management
- F. Identify reportable conditions and other control deficiencies
- G. Identify matters for communication with audit committees

- III. Review the engagement to provide reasonable assurance that objectives are achieved and evaluate information obtained to reach and to document engagement conclusions (5%)
  - A. Perform analytical procedures
  - B. Evaluate the sufficiency and competence of audit evidence and document engagement conclusions
    - 1. Consider substantial doubt about an entity's ability to continue as a going concern
    - 2. Evaluate whether financial statements are free of material misstatements
    - 3. Consider other information in documents containing audited financial statements
  - C. Review the work performed to provide reasonable assurance that objectives are achieved
- IV. Prepare communications to satisfy engagement objectives (20%)
  - A. Prepare reports
    - 1. Reports on audited financial statements
    - 2. Reports on reviewed and compiled financial statements
    - 3. Reports required by *Government Auditing Standards*
    - 4. Reports on compliance with laws and regulations
    - 5. Reports on internal control
    - 6. Reports on prospective financial information
    - 7. Reports on agreed-upon procedures
    - 8. Reports on other assurance services
    - 9. Reports on the processing of transactions by service organizations
    - 10. Reports on supplementary financial information
    - 11. Other special reports
    - 12. Reissuance of reports
  - B. Prepare letters and other required communications
    - 1. Errors and fraud
    - 2. Illegal acts

3. Special reports
4. Communication with audit committees
5. Other reporting considerations covered by statements on auditing standards and statements on standards for attestation engagements

C. Other matters

1. Subsequent discovery of facts existing at the date of the auditor's report
2. Consideration of omitted procedures after the report date

***Suggested publications to study—auditing***

- AICPA Statements on Auditing Standards
- AICPA Statements on Standards for Accounting and Review Services
- AICPA Statements on Quality Control Standards
- AICPA Statements on Standards for Attestation Engagements
- U.S. General Accounting Office *Government Auditing Standards*
- AICPA Audit and Accounting Guides:
  - Audit Sampling
  - Consideration of Internal Control in a Financial Statement Audit
- Textbooks and articles on auditing and other assurance services
- AICPA Auditing Procedure Studies
- AICPA Audit and Accounting Manual
- AICPA Top 10 Technologies and Their Impact on CPAs
- AICPA Risk Alerts
- SECPS Practice Alerts
- Single Audit Act, as amended
- Information on auditing and other assurance services on the AICPA Website

Sample questions for auditing are included in Appendix A and on the AICPA's Website at <http://www.aicpa.org/exams>.

## **Financial accounting & reporting**

The financial accounting & reporting section tests candidates' knowledge of generally accepted accounting principles for business enterprises and the skills needed to apply them in a public accounting engagement. Content covered in this section includes financial accounting concepts and standards as well as their application in a public accounting engagement. Candidates will

- Obtain and document entity information for use in financial statement presentations
- Evaluate, analyze, and process entity information for reporting in financial statements
- Communicate entity information and conclusions
- Analyze information and identify data relevant to financial accounting and reporting
- Identify financial accounting and reporting methods and select those that are suitable
- Perform calculations and formulate conclusions
- Present results in writing in a financial statement format or other appropriate format

### ***Financial accounting & reporting content specification outline***

- I. Concepts and standards for financial statements (20%)
  - A. Financial accounting concepts
  - B. Financial accounting standards for presentation and disclosure in general purpose financial statements
    1. Consolidated and combined financial statements
    2. Balance sheet
    3. Statement(s) of income, comprehensive income, and changes in equity accounts
    4. Statement of cash flows
    5. Accounting policies and other notes to financial statements
  - C. Other presentations of financial data
    1. Financial statements prepared in conformity with comprehensive bases of accounting other than generally accepted accounting principles



- 2. Personal financial statements
  - 3. Prospective financial information
- D. Financial statement analysis
- II. Recognition, measurement, valuation, and presentation of typical items in financial statements in conformity with generally accepted accounting principles (40%)
  - A. Cash, cash equivalents, and marketable securities
  - B. Receivables
  - C. Inventories
  - D. Property, plant, and equipment
  - E. Investments
  - F. Intangibles and other assets
  - G. Payables and accruals
  - H. Deferred revenues
  - I. Notes and bonds payable
  - J. Other liabilities
  - K. Equity accounts
  - L. Revenue, cost, and expense accounts
- III. Recognition, measurement, valuation, and presentation of specific types of transactions and events in financial statements in conformity with generally accepted accounting principles (40%)
  - A. Accounting changes and corrections of errors
  - B. Business combinations
  - C. Cash flow components—financing, investing, and operating
  - D. Contingent liabilities and commitments
  - E. Discontinued operations
  - F. Earnings per share
  - G. Employee benefits
  - H. Extraordinary items
  - I. Financial instruments
  - J. Foreign currency transactions and translation
  - K. Income taxes
  - L. Interest costs
  - M. Interim financial reporting

- N. Leases
- O. Nonmonetary transactions
- P. Quasi-reorganizations, reorganizations, and changes in entity
- Q. Related parties
- R. Research and development costs
- S. Segment reporting

***Suggested publications to study—  
financial accounting & reporting***

- Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, and AICPA Accounting Research Bulletins
- FASB Technical Bulletins
- AICPA Statement on Auditing Standards No. 69, “The Meaning of *Present Fairly in Conformity With Generally Accepted Accounting Principles* in the Independent Auditor’s Report,” and Statement on Auditing Standards No. 62, “Special Reports”
- AICPA Personal Financial Statements Guide
- FASB Statements of Financial Accounting Concepts
- AICPA Statements of Position
- Books and articles on accounting

Sample questions for financial accounting & reporting are included in Appendix A and on the AICPA’s Website at <http://www.aicpa.org/exams>.

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# **Accounting & reporting—taxation, managerial, and governmental and not-for-profit organizations**

The accounting & reporting—taxation, managerial, and governmental and not-for-profit organizations section tests candidates' knowledge of principles and procedures for federal taxation, managerial accounting, and accounting for governmental and not-for-profit organizations, and the skills needed to apply them in a public accounting engagement.

## ***Federal taxation***

This portion covers knowledge applicable to federal taxation and its application in practice. Candidates will

- Analyze information and identify data relevant for tax purposes
- Identify issues, elections, and alternative tax treatments
- Perform required calculations
- Formulate conclusions

## ***Federal taxation content specification outline***

- I. Federal taxation—individuals (20%)
  - A. Inclusions in gross income
  - B. Exclusions and adjustments to arrive at adjusted gross income
  - C. Deductions from adjusted gross income
  - D. Filing status and exemptions
  - E. Tax accounting methods
  - F. Tax computations, credits, and penalties
  - G. Alternative minimum tax
  - H. Tax procedures
- II. Federal taxation—corporations (20%)
  - A. Determination of taxable income or loss
  - B. Tax accounting methods
  - C. S corporations
  - D. Personal holding companies

- E. Consolidated returns
  - F. Tax computations, credits, and penalties
  - G. Alternative minimum tax
  - H. Other
    - 1. Distributions
    - 2. Incorporation, reorganization, liquidation, and dissolution
    - 3. Tax procedures
- III. Federal taxation—partnerships (10%)
- A. Basis of partner's interest and bases of assets contributed to the partnership
  - B. Determination of partner's share of income, credits, and deductions
  - C. Partnership and partner elections
  - D. Partner dealing with own partnership
  - E. Treatment of partnership liabilities
  - F. Distribution of partnership assets
  - G. Termination of partnership
- IV. Federal taxation—estates and trusts, exempt organizations, and preparers' responsibilities (10%)
- A. Estates and trusts
    - 1. Income taxation
    - 2. Determination of beneficiary's share of taxable income
    - 3. Estate and gift taxation
  - B. Exempt organizations
    - 1. Types of organizations
    - 2. Requirements for exemption
    - 3. Unrelated business income tax
  - C. Preparers' responsibilities

### ***Suggested publications to study—federal taxation***

- Internal Revenue Code and Income Tax Regulations
- Internal Revenue Service Circular 230
- AICPA Statements on Responsibilities in Tax Practice
- Income tax textbooks

### ***Governmental and not-for-profit organizations***

This portion covers knowledge applicable to accounting for governmental and not-for-profit organizations and its application in practice. Candidates will

- Analyze and identify information relevant to governmental and not-for-profit accounting and reporting
- Identify alternative accounting and reporting policies and select those appropriate in specific situations
- Distinguish the relative weight of authority of differing sources of generally accepted accounting principles
- Perform procedures, formulate conclusions, and present results

### ***Governmental and not-for-profit organizations content specification outline***

- V. Accounting for governmental and not-for-profit organizations (30%)
  - A. Governmental entities
    - 1. Measurement focus and basis of accounting
    - 2. Objectives of financial reporting
    - 3. Uses of fund accounting
    - 4. Budgetary process
    - 5. Financial reporting entity
    - 6. Elements of financial statements
    - 7. Conceptual reporting issues
    - 8. Accounting and financial reporting for state and local governments
      - a. Governmental-type funds and account groups
      - b. Proprietary-type funds
      - c. Fiduciary-type funds

9. Accounting and financial reporting for governmental not-for-profit organizations (including hospitals, colleges and universities, voluntary health and welfare organizations and other governmental not-for-profit organizations)

B. Nongovernmental not-for-profit organizations

1. Objectives of financial reporting
2. Elements of financial statements
3. Formats of financial statements
4. Accounting and financial reporting for nongovernmental not-for-profit organizations
  - a. Revenues and contributions
  - b. Restrictions on resources
  - c. Expenses, including depreciation

***Suggested publications to study—governmental and not-for-profit organizations***

- Governmental Accounting Standards Board (GASB) Statements, Interpretations, and Technical Bulletins
- Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board Opinions, AICPA Accounting Research Bulletins, and FASB Technical Bulletins
- FASB Statement of Financial Accounting Concepts No. 4, “Objectives of Financial Reporting by Nonbusiness Organizations,” and FASB Statement of Financial Concepts No. 6, “Elements of Financial Statements”
- AICPA Statement on Auditing Standards No. 69, “The Meaning of *Present Fairly in Conformity With Generally Accepted Accounting Principles* in the Independent Auditor’s Report”
- AICPA Audit and Accounting Guides and Statements of Position relating to governmental and not-for-profit organizations
- Governmental and not-for-profit accounting textbooks and other accounting textbooks containing pertinent chapters

## ***Managerial accounting***

This portion covers knowledge applicable to managerial accounting and its application in accounting practice. Candidates will

- Analyze and interpret information as a basis for decision making
- Determine product and service costs
- Prepare and interpret information for planning and control

### ***Managerial accounting content specification outline***

#### **VI. Managerial accounting (10%)**

- A. Cost estimation, cost determination, and cost drivers
- B. Job costing, process costing, and activity based costing
- C. Standard costing and flexible budgeting
- D. Inventory planning, inventory control, and just-in-time purchasing
- E. Budgeting and responsibility accounting
- F. Variable and absorption costing
- G. Cost-volume-profit analysis
- H. Cost allocation and transfer pricing
- I. Joint and by-product costing
- J. Capital budgeting
- K. Special analyses for decision making
- L. Product and service pricing

### ***Suggested publications to study— managerial accounting***

- Managerial accounting textbooks and other accounting textbooks containing pertinent chapters
- Accounting periodicals

Sample questions for accounting & reporting are included in Appendix A and on the AICPA's Website at <http://www.aicpa.org/exams>.

## **Business law & professional responsibilities**

The business law & professional responsibilities section tests candidates' knowledge of a CPA's professional responsibilities and of the legal implications of business transactions, particularly as they relate to accounting and auditing. Content covered in this section includes a CPA's professional responsibilities, business organizations, contracts, debtor-creditor relationships, government regulation of business, the Uniform Commercial Code, and property. Candidates will be required to

- Recognize relevant legal issues
- Recognize the legal implications of certain business situations
- Apply the underlying principles of law to accounting and auditing situations

This section deals with federal and widely adopted uniform laws. If there is no federal or uniform law on a topic, the questions are intended to test knowledge of the law of the majority of jurisdictions. Professional ethics questions are based on the AICPA *Code of Professional Conduct* because it is national in its application, whereas codes of other organizations and jurisdictions may be limited in their application.

### ***Business law & professional responsibilities content specification outline***

- I. Professional and legal responsibilities (15%)
  - A. Code of professional conduct
  - B. Proficiency, independence, and due care
  - C. Responsibilities in other professional services
  - D. Disciplinary systems imposed by the profession and state regulatory bodies
  - E. Common law liability to clients and third parties
  - F. Federal statutory liability
  - G. Privileged communications and confidentiality
  - H. Responsibilities of CPAs in business and industry, and in the public sector



## II. Business organizations (20%)

### A. Agency

1. Formation and termination
2. Duties of agents and principals
3. Liabilities and authority of agents and principals

### B. Partnership, joint ventures, and other unincorporated associations

1. Formation, operation, and termination
2. Liabilities and authority of partners and owners

### C. Corporations

1. Formation and operation
2. Stockholders, directors, and officers
3. Financial structure, capital, and distributions
4. Reorganization and dissolution

### D. Estates and trusts

1. Formation, operation, and termination
2. Allocation between principal and income
3. Fiduciary responsibilities
4. Distributions

## III. Contracts (10%)

### A. Formation

### B. Performance

### C. Third party assignments

### D. Discharge, breach, and remedies

## IV. Debtor-creditor relationships (10%)

### A. Rights, duties, and liabilities of debtors and creditors

### B. Rights, duties, and liabilities of guarantors

### C. Bankruptcy

## V. Government regulation of business (15%)

### A. Federal securities acts

### B. Employment regulation

### C. Environmental regulation

VI. Uniform commercial code (20%)

- A. Negotiable instruments
- B. Sales
- C. Secured transactions
- D. Documents of title

VII. Property (10%)

- A. Real property including insurance
- B. Personal property including bailments and computer technology rights

***Suggested publications to study—business law & professional responsibilities***

- *AICPA Code of Professional Conduct*
- AICPA Statements on Auditing Standards dealing explicitly with proficiency, independence, and due care
- AICPA Statement on Standards for Consulting Services
- AICPA Statements on Responsibilities in Personal Financial Planning Practice
- Books covering business law, auditing, and accounting

Sample questions for business law & professional responsibilities are included in Appendix A and on the AICPA's Website at <http://www.aicpa.org/exams>.

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## Effective Dates of Pronouncements

Candidates are responsible for knowledge of accounting and auditing pronouncements, including pronouncements in the governmental and not-for-profit organizations areas, six months after a pronouncement's *effective* date, unless early application is permitted. When early application is permitted, candidates are responsible for knowledge of the new pronouncement six months after the *issuance* date. In this case, candidates are responsible for knowledge of both the old and new pronouncements until the old pronouncement is superseded.

For the federal taxation area, candidates are responsible for knowledge of the Internal Revenue Code and federal tax regulations in effect six months before the examination date.

For the business law & professional responsibilities section, candidates are responsible for knowledge of federal laws six months after their *effective* date and of uniform acts one year after their adoption by a simple majority of the jurisdictions.

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# Evaluation of Writing Skills

## Writing Skills

Selected essay answers in the business law & professional responsibilities, auditing, and financial accounting & reporting sections are used to assess candidates' writing skills. Five percent of the total points available on each of these sections will be allocated to writing skills. Effective writing can be characterized by the following six elements:

1. *Coherent organization.* The writer arranges ideas in a smooth, logical flow, enabling the reader to easily follow the train of thought. The writer develops each main idea in a separate paragraph and places the idea in the first sentence of the paragraph. Sentences that follow describe, define, clarify, illustrate, or explain the principal idea. Connectives and transition words link sentences and paragraphs.
2. *Conciseness.* The writer conveys points in as few words as possible without scrimping on important detail or substance. Short sentences and simple wording contribute to concise writing.
3. *Clarity.* A clearly written response expresses the writer's meaning or reasoning to the intended reader. Well-constructed sentences and carefully chosen words, including proper technical terms, contribute to clarity.

4. *Use of standard English.* Effective responses use standard English, which is defined in *The Business Writer's Handbook* as follows:

There are two broad varieties of written English: standard and nonstandard. These varieties are determined through **usage** by those who write in the English language. Standard English ... is used to carry on the daily business of the nation. It is the language of business, industry, government, education, and the professions. Standard English is characterized by exacting standards of **punctuation** and capitalization, by accurate **spelling**, by exact **diction**, by an expressive vocabulary, and by knowledgeable usage choices.<sup>1</sup>

5. *Responsiveness to the requirements of the question.* The writer should address the requirements of the question and demonstrate awareness of the purpose of the writing task. Answers should not be broad expositions on the general subject but should focus on the specific elements presented in the question. However, answers should not be so narrowly focused that they omit key elements of the requirements.
6. *Appropriateness for the reader.* Writing that is appropriate for the reader takes into account the reader's background, knowledge of the subject, interests, and concerns. Some essay questions may require candidates to prepare a written document for a specific reader, such as a memorandum to a CPA's client. In such cases, technical terms may have to be defined for the specific reader. When the requirements do not identify a specific reader, the candidate should assume the intended reader is a knowledgeable CPA.

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<sup>1</sup> Charles T. Brusaw, Gerald J. Alred, and Walter E. Oliu, *The Business Writer's Handbook*, 4th ed. (New York: St. Martin's Press, 1993), page 227.

## **Writing Skills Samples**

Writing skills are assessed at levels ranging from weak to very good. The following example includes a question followed by two sample answers illustrating weak writing skills and very good writing skills, respectively. Each answer is followed by an assessment of the writing skills demonstrated.

### **Question:**

How has technology changed work in the business environment? Explain your answer with specific examples.

### **Weak:**

People have to get used to new things. Like computers and Faxes and all. And they have to learn how to use things like voice mail. Which can get confusing for some people. Technology eliminates a lot of jobs because it can do things faster and better and cheaper than a lot of people. Though computers can't think. Can a computer handle a complaint from a customer? Teleconferencing helps a group of people have a group meeting over the phone. They don't have to all spend a lot of money for planes and hotels and stuff to go to a meeting. They can all stay in their own office and meet over the phone.

### **Assessment:**

The passage is weak in coherence. It does not introduce any principal idea and lumps various types of examples and comments together into one paragraph. Some of what is in the paragraph is irrelevant to the topic of the essay. Further, the writing jumps from one thought to another without any connecting link. There are a number of grammatical errors, such as sentence fragments and faulty agreement. The passage addresses the question, however, and answers with specifics.

### **Very Good:**

As technology evolved over the last 15 years, it radically changed office equipment and the way Americans work. The word processor has replaced the typewriter and the computer

has become the nerve center of the office. With the personal computer, vast amounts of information from various sources are available to office workers in an instant. Using such equipment as the modem and laptop computer, people can work almost anywhere—on planes, at home, at an off-site location. Even the telephone has seen significant change. For example, some telephones have become facsimile machines, enabling workers to transmit paper documents over telephone lines, with a paper reproduction arriving at the other end.

These kinds of technological innovations have enabled many companies to reduce expenses while improving services. For instance, with improved technology, office payroll usually can be trimmed. Expenses can be further decreased by changing from a paper-based filling system to a computer-based system. At the same time, customer service improves, as workers can respond to customer needs more quicker using faxes or voice mail. Workers can research numerous topics more quicker and thoroughly, using a variety of electronic data sources. Further, changes and updates to customer documents can be done with little delay by using a word processor.

### **Assessment:**

This essay is coherent. It introduces the principal ideas in the first sentence of each paragraph and uses the remaining sentences to explain those ideas. There is no irrelevant information in either paragraph. The passage makes its points concisely and clearly. There are no ambiguous or misused words, and some of the vocabulary is quite expressive: “radically,” “nerve center” and “payroll can be trimmed.” The passage gets high marks for its use of standard English, as it is relatively free of errors in punctuation, spelling, and grammar. The errors “filling” and “more quicker” can be overlooked in such a well-written essay. The essay speaks to the question, answering it with specifics. The content and language are appropriate for the reader. Note the explanation of how the facsimile machine works, given just in case the reader may not know the device.

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# Grading the Examination

The objective of the Advisory Grading Service is to grade candidates' examination papers fairly and uniformly. This objective is attained by developing grading bases and consistently applying grading guides to candidates' objective, essay, and problem answers, with as many as two subsequent reviews of each paper.

## Grading Bases

Grading guides are created as the examination is developed and are approved by the subcommittees and the Board of Examiners. The grading guides for the machine-gradable objective-answer-type questions are the answer key and the point value assigned to each answer. For the essay questions and problems, the grading guides consist of the model answers, each concept being elicited, and each concept's assigned point value. If a question requires a candidate to prepare an income statement, an example of a grading concept might be "proper heading."

Writing skills are graded using the holistic grading method. As the term implies, "holistic grading" treats the writing sample as a whole. Graders assign a single writing skills rating based on the six characteristics listed in the section "Evaluation of Writing Skills."

To establish the grading bases, the grading guides are applied to a sample of papers. As a result of the sample grading, modifications to the grading guides may be made. For essay questions and problems, additional acceptable concepts may be gleaned from candidates' answers. Also, alternative approaches to the questions and alternative interpretations of data and statements presented in the essay questions and problems are evaluated. If the alternative approaches and interpretations are deemed acceptable by the Standard Setting Subcommittee of the Board of Examiners, the grading guide is adjusted.



Objective questions are also analyzed during the sample grading. If a substantial number of candidates select an answer different from the correct answer indicated by the grading guide, the question is reviewed by experts in the field of knowledge tested. If the candidates' answer is found to be valid, the grading guide is appropriately revised. After the sample grading is completed, the Standard Setting Subcommittee approves the final grading guides.

## **Candidate Concerns About Examination Questions**

Candidates who identify possible defective questions while taking the Uniform CPA Examination have the opportunity to request that such questions be reviewed by the Advisory Grading Service. This procedure, described below, is designed to assure candidates that all technically accurate answers will be considered in the grading and to speed technical review immediately after the examination is administered.

Candidates who believe one or more questions contain errors and want their concerns evaluated must fax to the AICPA their comments, including the precise nature of any defect; their rationale; and, if possible, references. The fax must be received by the AICPA within four days of the completion of the examination administration. Comments should be faxed to (201) 938-3443. This will ensure that all comments are reviewed before the grading bases for the Uniform CPA Examination are confirmed.

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## Grading Process

Candidate anonymity is preserved throughout the grading process. The only information available to the grading staff is the candidate identification number, which appears on the examination papers. The graders have no access to information about a candidate's name, education, experience, age, number of sittings, or other personal characteristics. A candidate's performance on the examination is measured solely on the basis of the answers submitted.

*Initial production grading.* Objective questions are graded using an optical scanner. Samples of answer sheets are continually verified manually to ensure that the scanner has not malfunctioned.

Answers to essay questions and problems are graded by a professional staff of CPAs and attorneys specifically engaged for this purpose. In general, a candidate must correctly identify all gradable concepts to earn the maximum number of points. Some questions, however, may allow full credit for a less-than-perfect solution. For example, in a ten-point essay question that has fifteen gradable concepts (where each concept is worth one point), a candidate may receive full credit for providing any ten of the fifteen gradable concepts.

Graders are assigned to individual essay questions or problems and then trained intensively to apply the grading guide consistently. As a result, graders are proficient both in the subject matter and in the evaluation of candidates' answers. This promotes grading that is both objective and uniform.

*First review.* When the initial grading is complete, first review is performed by highly experienced graders who review essays or problem solutions for candidates with adjusted scores in the 65–74 range.

This review serves as confirmation of the initial grade and as a quality control mechanism over the consistency of the grading process because reviewers are able to compare the work of different graders. In this manner, there is continual verification that all graders are properly applying the essay and problem solution grading guides. Based on this review, candidate scores are corrected for any scoring errors.

*Second review.* Papers with adjusted scores in the range between 72 and 74 are reviewed a second time as follows:

1. Manual verification of the accuracy of the objective answer grade.
2. Independent verification of the accuracy of the essay and problem grading by a reviewer who did not perform the first review.

Based on this review, candidate grades are corrected for any scoring errors.

A second review is also performed for failing papers of those candidates whose grades are just below the minimum grade requirement to receive conditional credit for other sections, according to jurisdictional statute.

## **Passing Grade for Each Section**

Each section of the Uniform CPA Examination is graded separately. All grades are reported to boards of accountancy on a scale ranging from 0 to 100, with a minimum passing grade of 75 for each section.

## **Setting the Passing Standard**

The passing standard for each section of the Uniform CPA Examination is based on the Angoff passing standard studies held during 1996. For these studies, more than 100 CPAs rated the questions given on the May 1996 Examination to estimate the percentage of newly licensed CPAs that would answer the question correctly. The estimates were used to determine a minimum passing score, which was then converted to a grade of 75.

The minimum passing score for subsequent examinations is statistically determined through a process known as *equating*. Equating adjusts for differences in the difficulty level of the examinations and differences in the ability level of the groups of candidates taking the examinations. Using this process, the score on a subsequent examination that corresponds to the same ability level as the minimum passing score on the May 1996 Examination is determined. This new minimum passing score is then converted to a grade of 75. All scores above that score are assigned passing advisory grades of 75 through 100 and scores below that score are assigned failing advisory grades of 0 through 74.

## **Grade Reporting**

All boards of accountancy mail candidates' grades approximately 90 days after the examination is administered. This day is referred to as the Uniform Mailing Date.

Conditional status may be granted to those candidates who receive a passing grade on some but not all sections. Boards of accountancy grant conditional status to candidates who pass at least two sections. Many boards require a minimum grade on the sections failed for a candidate to receive conditional credit for the sections passed. Candidates receiving conditional status are generally allowed a limited number of additional opportunities to pass the remaining sections. If the conditional credit lapses, candidates must be reexamined on all sections. Candidates are encouraged to familiarize themselves with the rules and regulations governing the granting of conditional status in their jurisdiction.

## **Candidate Diagnostic Report**

Boards of accountancy may report information to candidates about how they performed on each content area of the Examination by including a Candidate Diagnostic Report with the candidates' grades. The report provides information that may be useful to candidates who must retake one or more sections of the Examination.

The report indicates the percent coverage of each content area for each Examination section. It provides the grade for each section taken and indicates the approximate percentage of points the candidate has earned in each content area. Candidates should use caution in interpreting percentages of area earned, especially those that are based on relatively small numbers of questions.

A sample Candidate Diagnostic Report and Explanation are shown on pages 43 and 44.

## **Review Service**

The AICPA accepts requests for review of candidate papers from boards of accountancy through September 20th for the preceding May Examination and through March 20th for the preceding November Examination.

The AICPA Advisory Grading Service reviews a candidate's paper by manually verifying the accuracy of the objective answer scores; independently verifying the original scoring of essays or problem solutions by a technical manager who did not participate in the original grading; and recomputing the total score.

In reporting the results to the board of accountancy, a "no change" is issued unless a failing grade is increased to a passing grade or to a minimum grade required on a failed section to retain credit for sections passed on the current or previous examinations.

The grading of all candidate papers is subject to very high quality controls: At least two experienced graders, other than the original grader, review all failing papers near either the passing grade or the minimum grade. Thus, the Advisory Grading Service review process rarely results in a grade change.

# Uniform CPA Examination — CANDIDATE DIAGNOSTIC REPORT

JURISDICTION		CANDIDATE NUMBER		EXAMINATION DATE				
SECTION	GRADE	CONTENT AREAS AND PERCENT COVERAGE	PERCENTAGE OF AREA EARNED					
			≤ 50	51-60	61-70	71-80	81-90	>90
<b>AUDIT</b>		I Plan the Engagement 40%						
		II Obtain and Document Information 35%						
		III Review the Engagement 5%						
		IV Prepare Communications 20%						
		<b>100%</b>						
<b>LPR</b>		I Professional and Legal Responsibilities 15%						
		II Business Organizations 20%						
		III Contracts 10%						
		IV Debtor-Creditor Relationships 10%						
		V Government Regulation of Business 15%						
		VI Uniform Commercial Code 20%						
		VII Property 10%						
	<b>100%</b>							
<b>FARE</b>		I Concepts and Standards for Financial Statements 20%						
		II Typical Items in Financial Statements 40%						
		III Specific Transactions and Events in Financial Statements 40%						
	<b>100%</b>							
<b>ARE</b>		I Federal Taxation - Individuals 20%						
		II Federal Taxation - Corporations 20%						
		III Federal Taxation - Partnerships 10%						
		IV Federal Taxation - Other 10%						
		V Governmental and Not-For-Profit Organizations 30%						
		VI Managerial Accounting 10%						
	<b>100%</b>							

## Uniform CPA Examination—Candidate Diagnostic Report

CPA candidates must pass the Uniform CPA Examination to be licensed as certified public accountants in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam. The Uniform CPA Examination comprises four sections: Auditing (AUDIT), Financial Accounting & Reporting (FARE), Accounting & Reporting—Taxation, Managerial, and Governmental and Not-for-Profit Organizations (ARE), and Business Law & Professional Responsibilities (LPR).

The passing grade for each section is 75. Your **grades** on all **sections** taken during the last Examination session are reported on the reverse side of this page. In addition, there is a summary of your examination performance for the content areas included on each examination section. This summary gives an estimate of how well you did in each of the content areas. For each content area, the summary gives the relative weight (**percent coverage**) assigned to each and the approximate **percentage of area earned**. Candidates should refer to *Information for Uniform CPA Examination Candidates* or *Uniform CPA Examination Candidate Brochure*, each of which gives a complete description of the content areas covered in each section.

Because each board of accountancy establishes its own conditioning requirements, you are encouraged to familiarize yourself with the rules and regulations governing conditional status in your jurisdiction.

### How to Use This Report

The content area percentages earned can be valuable to candidates who have passed the various examination sections, as well as to those who have failed. By considering the content area percentages earned for each section, candidates can get an indication of their relative strengths and weaknesses. This information can be helpful to candidates preparing to retake any sections of the Uniform CPA Examination, or in planning their near-term continuing professional education needs. However, caution should be used in interpreting these percentages because they are based on answers to relatively few questions.

Section grades are based on larger numbers of questions than the individual content area percentages. Because of this, total grades provide better representations of a candidate's overall knowledge and skills than the individual content area percentages. If candidates were to take a comparable Uniform CPA Examination *without gaining any new knowledge or skills*, most of their examination grades would fall within five points (up or down) of those earned on this examination. For example, most candidates who received grades of 55 likely would receive grades between 50 and 60 if they took that section again under similar conditions. Additional preparation increases candidates' chances of improving their grades.

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# Writing the Examination

## Application Forms

Application forms to sit for the examination may be obtained from the board of accountancy from which the candidate is seeking a CPA certificate. Appendix B provides a directory of the fifty-four boards of accountancy. Most boards must receive the application at least sixty days before the examination date.

Candidates requiring special accommodations under the Americans With Disabilities Act should contact their board of accountancy for specific guidelines and procedures.

## Rules for Examination Day

The examination is a closed-book examination and no reference materials are permitted to be taken to an examination site. Candidates are not permitted to bring calculators, computers, other electronic data storage devices, or communication devices into the examination room.

At the examination site, candidates are given Examination Question and Answer Booklets for each section they are taking. In addition, for the accounting & reporting—taxation, managerial, and governmental and not-for-profit organizations and financial accounting & reporting sections, candidates are given calculators identified for the specific examination. Candidates should bring an adequate supply of Number 2 pencils and erasers.



The general candidate instructions are as follows:

1. Prior to the start of the examination, you will be required to sign a *Statement of Confidentiality*, which states:

I hereby attest that I will not divulge the nature or content of any question or answer to any individual or entity, and I will report to the board of accountancy any solicitations and disclosures of which I become aware. I will not remove, or attempt to remove, any Uniform CPA Examination materials, notes, or other unauthorized materials from the examination room. I understand that failure to comply with this attestation may result in invalidation of my grades, disqualification from future examinations, and possible civil and criminal penalties.

2. The only aids you are allowed to take to the examination tables are pens, pencils, and erasers.
3. You will receive a Prenumbered Identification Card (or Admission Notice) with your 7-digit candidate number on it. The Prenumbered Identification Card must be available for inspection by the proctors throughout the examination.
4. Any reference during the examination to books or other materials or the exchange of information with other persons shall be considered misconduct sufficient to bar you from further participation in the examination.

Penalties will be imposed on any candidate who is caught cheating before or during the examination. These penalties may include expulsion from the examination and denial of applications for future examinations.

5. You must observe the fixed time for each session. It is your responsibility to be ready at the start of the session and to stop writing when told to do so.
6. The following is an example of point values for each question as they might appear in the *Examination Questions* portion of the *Examination Question and Answer Booklet (Booklet)*. For each question, the point values are as follows:

	<u>Point Value</u>
No. 1 .....	60
No. 2 .....	10
No. 3 .....	10
No. 4 .....	10
No. 5 .....	<u>10</u>
Total .....	<u><u>100</u></u>

When answering each question, you should allocate the total examination time in proportion to the question's point value.

7. The *Booklet* will be distributed shortly before each session begins. Do not break the seal around the *Examination Questions* portion of the *Booklet* until you are told to do so.

Prior to the start of the examination, you are permitted to complete page 1 of the *Booklet* by recording your 7-digit candidate number in the boxes provided in the upper right-hand corner of the page and by filling out and signing the *Attendance Record*. You are also permitted to turn the *Booklet* over and record your 7-digit candidate number and State on the *Objective Answer Sheet* portion of the *Booklet*.

You must also check the booklet numbers on the *Attendance Record*, *Examination Questions*, *Objective Answer Sheet*, and *Essay Paper*. Notify the proctor if any of these numbers are not identical.

You must also review the *Examination Questions* (after you are told to break the seal), *Objective Answer Sheet*, and *Essay Paper* for any possible defects, such as missing pages, blurred printing, or stray marks (*Objective Answer Sheet* only). If any defects are found, request an entirely new *Examination Question and Answer Booklet* from a proctor before you answer any questions.

8. For the Business Law & Professional Responsibilities (LPR), Auditing (AUDIT), and Financial Accounting & Reporting (FARE) sections, your answers to the essay questions or problems must be written on the paper provided in the *Essay Paper* portion of the *Booklet*. After the start of the examination, you

should record your 7-digit candidate number, State, and question number on the first page of the *Essay Paper* portion of the *Booklet* and on the other pages where indicated.

9. For the ARE and FARE examination sections, you will be given a calculator. You should test the calculator in accordance with the instructions on the cover page of the *Booklet*. Inform your proctor if your calculator is defective. Calculators will not be provided for the LPR and AUDIT examination sections because the number of questions requiring calculations is minimal and the calculations are simple.
10. All amounts given in objective items or essay questions/problems are to be considered material unless otherwise stated.
11. Answer all objective items on the *Objective Answer Sheet* provided. Use a No. 2 pencil only. You should attempt to answer all objective items as there is no penalty for incorrect responses. Since the objective items are computer-graded, your comments and calculations associated with them are not considered. You should blacken the ovals as darkly as possible and erase clearly any marks you wish to change. You should make no stray marks.

Approximately 10 percent of the multiple-choice items are included for pretesting only and are not included in your final grade.

12. The *Objective Answer Sheet* may vary for each section of the examination. It is important to pay strict attention to the manner in which your *Objective Answer Sheet* is structured. As you proceed with the examination, be certain that you blacken the oval that corresponds exactly with the item number in the *Examination Questions* portion of your *Booklet*. If you mark your answers in the *Examination Questions* portion of your *Booklet*, be certain that you transfer them to the *Objective Answer Sheet* before the session ends. Your examination paper will not be graded if you fail to record your answers on the *Objective Answer Sheet*. You will not be given additional time to record your answers.

13. If an objective item requires you to record a numerical answer, blacken the ovals on the *Objective Answer Sheet*. If zeros precede your numerical answer, blacken the zeros in the ovals preceding your answer. You cannot receive credit for your answers if you fail to blacken an oval in each column. You may write the numbers in the boxes provided to facilitate blackening the ovals; however, the numbers written in the boxes will not be graded.
14. Answer all essay questions and problems on the *Essay Paper* provided. Always begin the start of an answer to a question on the top of a new page (which may be the reverse side of a sheet of paper). Cross out anything that you do not want graded.
15. Selected essay responses will be graded for writing skills.
16. Include all computations to the problems in the FARE section. This may assist the graders in understanding your answers.
17. You may not leave the examination room with any examination materials, nor may you take notes about the examination with you from the examination room. You are required to turn in by the end of each session:
  - a. *Attendance Record* and *Statement of Confidentiality*.
  - b. *Examination Questions*.
  - c. *Essay Paper* (for LPR, AUDIT, and FARE). Do not remove unused pages.
  - d. *Objective Answer Sheet*.
  - e. Calculator (for ARE and FARE).
  - f. All unused examination materials.
  - g. Prenumbered Identification Card (or Admission Notice) at the last examination section for which you sit (if required by your examining jurisdiction).

Your examination will not be graded unless you hand in the above-listed items before you leave the examination room.

18. If you believe one or more questions contain errors and want your concerns evaluated, you must fax to the AICPA your comments, including the precise nature of any defect; your rationale; and, if possible, references. The fax should include your 7-digit candidate number and must be received by the

AICPA within 4 days of the completion of the examination administration. Comments should be faxed to (201) 938-3443. This will ensure that all comments are reviewed before the grading bases for the Uniform CPA Examination are confirmed. Although the AICPA cannot respond directly to each fax, it will investigate all comments received within the 4-day period.

19. Examination question booklets will be destroyed by the AICPA 30 days after the examination section is administered.
20. Contact your board of accountancy for information regarding any other applicable rules.

## **Calculators**

Each candidate receives a calculator at the examination site to use on the accounting & reporting — taxation, managerial, and governmental and not-for-profit organizations and financial accounting & reporting sections. The purpose of providing calculators is to save the time candidates spend on performing and rechecking manual calculations; it is not intended to allow for more difficult and complex calculations and problems. In other words, the calculations required to answer multiple-choice and problem-type questions will be at the same level of complexity as they were before calculators were provided.

Occasionally, candidates are required to perform calculations to answer questions on the business law & professional responsibilities and auditing sections. However, since the number of questions requiring calculations is minimal and the calculations are simple, calculators will not be provided for either of these sections.

The candidate should only need to use the calculator's four primary functions — add, subtract, multiply, and divide. However, the calculator also has function keys for square root, percentage, and memory. The candidate is given an opportunity to test the calculator to ensure that the calculator is functioning properly by using the test calculations printed in the examination booklets. It is the candidate's responsibility to notify one of the proctors immediately in the event of a malfunction. Replacement calculators are available.

To turn the calculator on, press **ON**. The display will read “0.” The calculator automatically turns itself off approximately 8 minutes after the last entry. All data in the calculator will be lost once the calculator is off. When you complete a calculation, we recommend that after you press **=**, you press **ON** before beginning a new calculation. The basic key descriptions are as follows:

- ON** **On and Clear**—Turns the calculator on and clears the display. To clear the calculator of all entries, press **=**, then press **ON**.
- 0** ... **9** **Numericals**—Inputs that number.
- .** **Decimal**—Indicates that all numbers to follow are decimals.
- +** & **−** **Add & Subtract**—Adds the next number entered to, or subtracts the next number entered from, the displayed number.
- ×** & **÷** **Multiply & Divide**—Multiplies or divides the displayed number by the next number entered.
- =** **Equal**—Displays the results of all previously entered operations.
- ±** **Change sign**—Changes plus(minus) to minus(plus).
- %** **Percentage**—When performing a calculation, converts the displayed number to a percentage and completes the calculation. It is unlikely that you will need to use this key during the exam.
- √** **Square Root**—Calculates the square root of the displayed number. It is unlikely that you will need to use this key during the exam.
- RCM** **Recall Memory**—Pressed once, displays the balance in memory. Pressed twice in a row, eliminates the balance in memory but not the displayed number.
- M−** **Memory Subtract**—Subtracts the displayed number from the balance in memory.
- M+** **Memory Add**—Adds the displayed number to the balance in memory.

Test Calculations					
Keystroke					Display
<b>ON</b>	53000	<b>+</b>	47600	<b>=</b>	100600
<b>ON</b>	125000	<b>−</b>	98300	<b>=</b>	26700
<b>ON</b>	5000	<b>×</b>	1.667	<b>=</b>	8335
<b>ON</b>	39000	<b>÷</b>	1300	<b>=</b>	30

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# **Appendix A—Sample Examination Questions**

The following are samples of multiple-choice, other objective answer format, and essay questions and problems that have appeared on the Uniform CPA Examination. Sample questions from each section of the examination are included. Circled letters indicate the correct answer.

## **Auditing**

1. An auditor concludes that a client has committed an illegal act that has not been properly accounted for or disclosed. The auditor should withdraw from the engagement if the
  - A. Auditor is precluded from obtaining sufficient competent evidence about the illegal act.
  - B. Illegal act has an effect on the financial statements that is both material and direct.
  - C. Auditor **cannot** reasonably estimate the effect of the illegal act on the financial statement.
  - ☒ D. Client refuses to accept the auditor's report as modified for the illegal act.

2. Which of the following auditing procedures most likely would assist an auditor in identifying related party transactions?

- A. Retesting ineffective internal control procedures previously reported to the audit committee.
- B. Sending second requests for unanswered positive confirmations of accounts receivable.
- ☒ C. Reviewing accounting records for nonrecurring transactions recognized near the balance sheet date.
- D. Inspecting communications with law firms for evidence of unreported contingent liabilities.

3. Before applying principal substantive tests to the details of accounts at an interim date prior to the balance sheet date, an auditor should

- A. Assess control risk at below the maximum for the assertions embodied in the accounts selected for interim testing.
- B. Determine that the accounts selected for interim testing are **not** material to the financial statements taken as a whole.
- ☒ C. Consider whether the amounts of the year-end balances selected for interim testing are reasonably predictable.
- D. Obtain written representations from management that all financial records and related data will be made available.



## Number 4

**Question Number 4** consists of 13 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the *Objective Answer Sheet* to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

### Required:

The flowchart on page A-5 depicts part of a client's revenue cycle. Some of the flowchart symbols are labeled to indicate control procedures and records. For each symbol numbered **61 through 73**, select one response from the answer lists below and blacken the corresponding oval on the *Objective Answer Sheet*. Each response in the lists may be selected once, more than once, or not at all.

#### *Operations and Control Procedures*

- Ⓐ Enter shipping data.
- Ⓑ Verify agreement of sales order and shipping document.
- Ⓒ Write off accounts receivable.
- Ⓓ To warehouse and shipping department.
- Ⓔ Authorize account receivable write-off.
- Ⓕ Prepare aged trial balance.
- Ⓖ To sales department.
- Ⓗ Release goods for shipment.
- Ⓘ To accounts receivable department.
- Ⓙ Enter price data.
- Ⓚ Determine that customer exists.
- Ⓛ Match customer purchase order with sales order.
- Ⓜ Perform customer credit check.
- Ⓝ Prepare sales journal.
- Ⓞ Prepare sales invoice.

*Documents, Journals, Ledgers, and Files*

- Ⓟ Shipping document.
- Ⓠ General ledger master file.
- Ⓡ General journal.
- Ⓢ Master price file.
- Ⓣ Sales journal.
- Ⓤ Sales invoice.
- Ⓥ Cash receipts journal.
- Ⓦ Uncollectible accounts file.
- Ⓧ Shipping file.
- Ⓨ Aged trial balance.
- Ⓡ Open order file.



(10 points)

Select one	
Item	
61	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div><div></div></div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
62	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div><div></div></div></div>
63	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div><div></div></div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
64	<div><div><div></div></div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
65	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div><div></div></div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
66	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div><div></div></div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
67	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div><div></div></div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
68	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div><div></div></div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
69	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div><div></div></div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
70	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div><div></div></div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
71	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div><div></div></div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
72	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div><div></div></div><div>U</div><div>V</div><div>W</div><div>X</div><div>Y</div><div>Z</div></div>
73	<div><div>A</div><div>B</div><div>C</div><div>D</div><div>E</div><div>F</div><div>G</div><div>H</div><div>I</div><div>J</div><div>K</div><div>L</div><div>M</div><div>N</div><div>O</div><div>P</div><div>Q</div><div>R</div><div>S</div><div>T</div><div>U</div><div>V</div><div>W</div><div>X</div><div><div></div></div><div>Z</div></div>

ANSWER 4

## Number 5

King, CPA, is auditing the financial statements of Cycle Co., an entity that has receivables from customers which have arisen from the sale of goods in the normal course of business. King is aware that the confirmation of accounts receivable is a generally accepted auditing procedure.

### **Required:**

**A.** Under what circumstances could King justify omitting the confirmation of Cycle's accounts receivable?

**B.** In designing confirmation requests, what factors are likely to affect King's assessment of the reliability of confirmations that King sends?

**C.** What alternative procedures would King consider performing when replies to positive confirmation requests are **not** received?

### **Answer 5** (10 points)

**A.** Although there is a presumption that King will request the confirmation of Cycle's accounts receivable, King could justify omitting this procedure if Cycle's accounts receivable are immaterial to its financial statements. King could also justify omitting this procedure if the expected response rates to properly designed confirmation requests will be inadequate, or if responses will be unreliable. In these circumstances, King may determine that the use of confirmations would be ineffective.

Additionally, King could justify omitting the confirmation of Cycle's accounts receivable if King's assessed level of combined inherent and control risk is low and the assessed level, in conjunction with the evidence expected to be provided by analytical procedures or other substantive tests of details, is sufficient to reduce audit risk to an acceptably low level for the applicable financial statement assertions.

**B.** Among the factors likely to affect the reliability of confirmations that King sends is King's decision in choosing the confirmation form. Some positive forms request agreement or disagreement with information stated on the form; other positive forms, known as blank forms, request the respondent to fill in the balance or furnish other information; negative forms request a response only if there is disagreement with the information stated on the request.

King's prior experience with Cycle or similar clients is also likely to affect reliability because King probably would have prior knowledge of King's assessment of the expected confirmation response rates, inaccurate information on prior years' confirmations, and misstatements identified during prior audits.

The nature of the information being confirmed may affect the competence of the evidence obtained as well as the response rate. For example, Cycle's customers' accounting systems may permit confirmation of individual transactions, but not account balances, or vice versa.

Additionally, King's sending of each confirmation request to the proper respondent will help provide for responses that provide meaningful and competent evidence. Each request should be sent to a person who King believes is knowledgeable about the information to be confirmed.

**C.** The nature of the alternative procedures King would apply when replies to positive confirmation requests are not received varies according to the account and assertion in question. Possible alternative procedures include inspecting evidence of subsequent cash receipts, and matching such receipts with the actual items being paid. King would also consider inspecting Cycle's shipping documents and invoices, or Cycle's customers' purchase orders on file. Inspecting correspondence between Cycle and its customers could provide additional evidence. King may also obtain evidence about the existence of Cycle's customers by reference to credit sources such as Dun & Bradstreet.

## Financial accounting & reporting

1. Luge Co., which began operations on January 2, 1997, appropriately uses the installment sales method of accounting. The following information is available for 1997:

Installment accounts receivable, December 31, 1997	\$800,000
Deferred gross profit, December 31, 1997 (before recognition of realized gross profit for 1997)	560,000
Gross profit on sales	40%

For the year ended December 31, 1997, cash collections and realized gross profit on sales should be

	<u>Cash collections</u>	<u>Realized gross profit</u>
A.	\$400,000	\$320,000
B.	\$400,000	\$240,000
C.	\$600,000	\$320,000
(D)	\$600,000	\$240,000

2. On January 2, 1997, Judd Co. bought a trademark from Krug Co. for \$500,000. Judd retained an independent consultant, who estimated the trademark's remaining life to be 50 years. Its unamortized cost on Krug's accounting records was \$380,000. Judd decided to amortize the trademark over the maximum period allowed. In Judd's December 31, 1997, balance sheet, what amount should be reported as accumulated amortization?

- A. \$ 7,600
- B. \$ 9,500
- C. \$10,000
- (D) \$12,500

3. A bond issued on June 1, 1997, has interest payment dates of April 1 and October 1. Bond interest expense for the year ended December 31, 1997, is for a period of

- A. Three months.
- B. Four months.
- C. Six months.
- ☒ D. Seven months.

---

### Number 4

**Question Number 4** consists of 12 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the *Objective Answer Sheet* to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

Edge Co., a toy manufacturer, is in the process of preparing its financial statements for the year ended December 31, 1997. Edge expects to issue its 1997 financial statements on March 1, 1998.

**Required:**

**Items 61 through 72** represent various information that has not been reflected in the financial statements. For each item, the following two responses are required:

A. Determine if an adjustment is required and select the appropriate amount, if any, from the list below.

B. Determine ☒ Yes or ☒ No if additional disclosure is **required**, either on the face of the financial statements or in the notes to the financial statements.

Blacken the corresponding ovals on the *Objective Answer Sheet*.



*Adjustment Amounts*

- (A) No adjustment is required.
- (B) \$100,000
- (C) \$150,000
- (D) \$250,000
- (E) \$400,000
- (F) \$500,000

- 61. Edge owns a small warehouse located on the banks of a river in which it stores inventory worth approximately \$500,000. Edge is not insured against flood losses. The river last overflowed its banks twenty years ago.
- 62. During 1997, Edge began offering certain health care benefits to its eligible retired employees. Edge's actuaries have determined that the discounted expected cost of these benefits for current employees is \$150,000.
- 63. Edge offers an unconditional warranty on its toys. Based on past experience, Edge estimates its warranty expense to be 1% of sales. Sales during 1997 were \$10,000,000.
- 64. On October 30, 1997, a safety hazard related to one of Edge's toy products was discovered. It is considered probable that Edge will be liable for an amount in the range of \$100,000 to \$500,000.
- 65. On November 22, 1997, Edge initiated a lawsuit seeking \$250,000 in damages from patent infringement.
- 66. On December 17, 1997, a former employee filed a lawsuit seeking \$100,000 for unlawful dismissal. Edge's attorneys believe the suit is without merit. No court date has been set.
- 67. On December 15, 1997, Edge guaranteed a bank loan of \$100,000 for its president's personal use.

68. On December 31, 1997, Edge's board of directors voted to discontinue the operations of its computer games division and sell all the assets of the division. The division was sold on February 15, 1998. On December 31, 1997, Edge estimated that losses from operations, net of tax, for the period January 1, 1998, through February 15, 1998, would be \$400,000 and that the gain from the sale of the division's assets, net of tax, would be \$250,000. These estimates were materially correct.
69. On January 5, 1998, a warehouse containing a substantial portion of Edge's inventory was destroyed by fire. Edge expects to recover the entire loss, except for a \$250,000 deductible, from insurance.
70. On January 24, 1998, inventory purchased FOB shipping point from a foreign country was detained at that country's border because of political unrest. The shipment is valued at \$150,000. Edge's attorneys have stated that it is probable that Edge will be able to obtain the shipment.
71. On January 30, 1998, Edge issued \$10,000,000 in bonds at a premium of \$500,000.
72. On February 4, 1998, the IRS assessed Edge an additional \$400,000 for the 1996 tax year. Edge's tax attorneys and tax accountants have stated that it is likely that the IRS will agree to a \$100,000 settlement.

# FARE

VERSION 1

(10 points)

ANSWER 4	Item	List A (Select one)						(Select one)	
	61	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	(Y)	<input type="radio"/>
	62	(A)	(B)	<input type="radio"/>	(D)	(E)	(F)	<input type="radio"/>	(N)
	63	(A)	<input type="radio"/>	(C)	(D)	(E)	(F)	(Y)	<input type="radio"/>
	64	(A)	<input type="radio"/>	(C)	(D)	(E)	(F)	<input type="radio"/>	(N)
	65	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	(Y)	<input type="radio"/>
	66	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	(Y)	<input type="radio"/>
	67	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	<input type="radio"/>	(N)
	68	(A)	(B)	<input type="radio"/>	(D)	(E)	(F)	<input type="radio"/>	(N)
	69	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	<input type="radio"/>	(N)
	70	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	(Y)	<input type="radio"/>
	71	<input type="radio"/>	(B)	(C)	(D)	(E)	(F)	<input type="radio"/>	(N)
72	(A)	<input type="radio"/>	(C)	(D)	(E)	(F)	<input type="radio"/>	(N)	

## Number 5

York Co. sells one product, which it purchases from various suppliers. York's trial balance at December 31, 1997, included the following accounts:

Sales (33,000 units @ \$16)	\$528,000
Sales discounts	7,500
Purchases	368,900
Purchase discounts	18,000
Freight-in	5,000
Freight-out	11,000

York Co.'s inventory purchases during 1997 were as follows:

	<u>Units</u>	<u>Cost per unit</u>	<u>Total cost</u>
Beginning inventory, January 1	8,000	\$8.20	\$ 65,600
Purchases, quarter ended March 31	12,000	8.25	99,000
Purchases, quarter ended June 30	15,000	7.90	118,500
Purchases, quarter ended September 30	13,000	7.50	97,500
Purchases, quarter ended December 31	<u>7,000</u>	7.70	<u>53,900</u>
	<u>55,000</u>		<u>\$434,500</u>

### Additional information:

York's accounting policy is to report inventory in its financial statements at the lower of cost or market, applied to total inventory. Cost is determined under the last-in, first-out (LIFO) method.

York has determined that, at December 31, 1997, the replacement cost of its inventory was \$8 per unit and the net realizable value was \$8.80 per unit. York's normal profit margin is \$1.05 per unit.

**Required:**

**A.** Prepare York's schedule of cost of goods sold, with a supporting schedule of ending inventory. York uses the direct method of reporting losses from market decline of inventory.

**B.** Explain the rule of lower of cost or market and its application in this situation.

**A.**

*York Co.*  
**Schedule of Cost of Goods Sold**  
*For the Year Ended December 31, 1997*

Beginning inventory	\$ 65,600	
Add: Purchases	368,900	
Less: Purchase discounts	(18,000)	
Add: Freight-in	<u>5,000</u>	
Goods available for sale	421,500	
Less: Ending inventory	<u>(176,000)</u>	[1]
Cost of goods sold	<u><u>\$245,500</u></u>	

*York Co.*  
**Supporting Schedule of Ending Inventory**  
*December 31, 1997*

Inventory at cost (LIFO):

	<u>Units</u>	<u>Cost per unit</u>	<u>Total cost</u>
Beginning inventory, January 1	8,000	\$ 8.20	\$ 65,600
Purchases, quarter ended March 31	12,000	8.25	99,000
Purchases, quarter ended June 30	<u>2,000</u>	7.90	<u>15,800</u>
	<u><u>22,000</u></u>		<u><u>\$180,400</u></u>

Inventory at market:

22,000 units @ \$8 = \$176,000 [1]

**B.** Inventory should be valued at the lower of cost or market. Market means current replacement cost, except that:

- (1) Market should not exceed the net realizable value;  
and
- (2) Market should not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

In this situation, because replacement cost (\$8 per unit) is less than net realizable value, but greater than net realizable value reduced by a normal profit margin, replacement cost is used as market. Because inventory valued at market (\$176,000) is lower than inventory valued at cost (\$180,400), inventory should be reported in the financial statements at market.

## Accounting & reporting

1. Charles and Marcia are married cash-basis taxpayers. In 1997, they had interest income as follows:

- \$500 interest on federal income tax refund.
- \$600 interest on state income tax refund.
- \$800 interest on federal government obligations.
- \$1,000 interest on state government obligations.

What amount of interest income is taxable on Charles and Marcia's 1997 joint income tax return?

- A. \$ 500
- B. \$1,100
- ☒ C. \$1,900
- D. \$2,900

### Number 2

**Question Number 2** consists of 11 items about C Corporations. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the *Objective Answer Sheet* to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

Capital Corp., an accrual-basis calendar-year C corporation, began operations on January 2, 1997. Capital timely filed its 1997 federal income tax return on Monday, March 16, 1998.

### Required:

**Items 1 through 4** each require **two** responses:

**A.** For each item below, determine the amount of Capital's 1997 Schedule M-1 adjustment necessary to reconcile book income to taxable income. **The ones, tens, and hundreds columns do not appear** on the *Objective Answer Sheet*. To record your answer, blacken the ovals on the *Objective Answer Sheet*. To record a **zero** answer for an item, you must blacken all the **zero ovals** for that particular item. If zeros precede your numerical answer, blacken the zeros in the ovals preced-

ing your answer. **You cannot receive credit for your answers if you fail to blacken an oval in each column.** You may write the numbers in the boxes provided to facilitate blackening the ovals; however, the numbers written in the boxes will **not** be graded.

**B.** In addition, determine if the Schedule M-1 adjustment necessary to reconcile book income to taxable income increases, decreases, or has no effect on Capital's 1997 taxable income. Blacken the corresponding oval on the *Objective Answer Sheet*. An answer may be selected once, more than once, or not at all.

<i>Selections</i>
<input type="radio"/> <b>I</b> Increases Capital's 1997 taxable income.
<input type="radio"/> <b>D</b> Decreases Capital's 1997 taxable income.
<input type="radio"/> <b>N</b> Has no effect on Capital's 1997 taxable income.

1. At its corporate inception in 1996, Capital incurred and paid \$40,000 in organizational costs for legal fees to draft the corporate charter. In 1996, Capital correctly elected, for book purposes, to amortize the organizational expenditures over 40 years and for the minimum required period on its federal income tax return. For 1997, Capital amortized \$1,000 of the organizational costs on its books.
2. Capital's 1997 disbursements included \$10,000 for reimbursed employees' expenses for business meals and entertainment. The reimbursed expenses met the conditions of deductibility and were properly substantiated under an accountable plan. The reimbursement was not treated as employee compensation.
3. Capital's 1997 disbursements included \$15,000 for life insurance premium expense paid for its executives as part of their taxable compensation. Capital is neither the direct nor the indirect beneficiary of the policy, and the amount of the compensation is reasonable.
4. In 1997, Capital increased its allowance for uncollectible accounts by \$10,000. No bad debt was written off in 1997.



Sunco Corp., an accrual-basis calendar-year C corporation, timely filed its 1997 federal income tax return on Monday, March 16, 1998.

**Required:**

**C.** For **Items 5 and 6**, determine if the following items are fully taxable, partially taxable, or nontaxable for regular income tax purposes on Sunco's 1997 federal income tax return. Blacken the corresponding oval on the *Objective Answer Sheet*. An answer may be selected once, more than once, or not at all.

Selections
<p><input type="radio"/> Fully taxable for regular income tax purposes on Sunco's 1997 federal income tax return.</p> <p><input type="radio"/> Partially taxable for regular income tax purposes on Sunco's 1997 federal income tax return.</p> <p><input type="radio"/> Nontaxable for regular income tax purposes on Sunco's 1997 federal income tax return.</p>

5. In 1997, Sunco received dividend income from a 35%-owned domestic corporation. The dividends were not from debt-financed portfolio stock, and the taxable income limitation did not apply.
  6. In 1997, Sunco received a \$2,800 lease cancellation payment from a three-year lease tenant.
-

Quest Corp., an accrual-basis calendar-year C corporation, timely filed its 1997 federal income tax return on Monday, March 16, 1998.

**Required:**

**D.** For **Items 7 and 8**, determine if the following items are fully deductible, partially deductible, or nondeductible for regular income tax purposes on Quest's 1997 federal income tax return. Blacken the corresponding oval on the *Objective Answer Sheet*. An answer may be selected once, more than once, or not at all.

<i>Selections</i>
<p><input type="radio"/> Fully deductible for regular income tax purposes on Quest's 1997 federal income tax return.</p> <p><input type="radio"/> Partially deductible for regular income tax purposes on Quest's 1997 federal income tax return.</p> <p><input type="radio"/> Nondeductible for regular income tax purposes on Quest's 1997 federal income tax return.</p>



7. Quest's 1997 taxable income before charitable contributions and dividends-received deduction was \$200,000. Quest's Board of Directors authorized a \$38,000 contribution to a qualified charity on December 1, 1997. The payment was made on February 2, 1998. All charitable contributions were properly substantiated.
8. During 1997 Quest was assessed and paid a \$300 uncontested penalty for failure to pay its 1996 federal income taxes on time.
-

On its 1997 federal income tax return, Gelco Corp., an accrual-basis calendar-year C corporation, reported the same amounts for regular income tax and alternative minimum tax purposes.

**Required:**

**E.** For **Items 9 through 11**, determine if each item, taken separately, contributes to overstating, understating, or correctly stating Gelco's 1997 alternative minimum taxable income (AMTI) prior to the adjusted current earnings adjustment (ACE). Blacken the corresponding oval on the *Objective Answer Sheet*. An answer may be selected once, more than once, or not at all.

<i>Selections</i>	
<input type="radio"/>	Overstating Gelco's 1997 AMTI prior to the ACE.
<input type="radio"/>	Understating Gelco's 1997 AMTI prior to the ACE.
<input type="radio"/>	Correctly stating Gelco's 1997 AMTI prior to the ACE.

9. For regular tax purposes, Gelco deducted the maximum MACRS depreciation on seven-year personal property placed in service on January 1, 1997. Gelco made no Internal Revenue Code Section 179 election to expense the property in 1997.
10. For regular income tax purposes, Gelco depreciated non-residential real property placed in service on January 1, 1997, under the general MACRS depreciation system for a 39-year depreciable life.
11. Gelco excluded state highway construction general obligation bond interest income earned in 1997 for regular income tax and alternative minimum tax (AMT) purposes.

## ANSWER 2

A.

1	2	3	4
0 0 7	0 0 5	0 0 0	0 1 0
● ● ①	● ● ①	● ● ●	● ① ●
① ① ①	① ① ①	① ① ①	① ● ①
② ② ②	② ② ②	② ② ②	② ② ②
③ ③ ③	③ ③ ③	③ ③ ③	③ ③ ③
④ ④ ④	④ ④ ④	④ ④ ④	④ ④ ④
⑤ ⑤ ⑤	⑤ ⑤ ●	⑤ ⑤ ⑤	⑤ ⑤ ⑤
⑥ ⑥ ⑥	⑥ ⑥ ⑥	⑥ ⑥ ⑥	⑥ ⑥ ⑥
⑦ ⑦ ●	⑦ ⑦ ⑦	⑦ ⑦ ⑦	⑦ ⑦ ⑦
⑧ ⑧ ⑧	⑧ ⑧ ⑧	⑧ ⑧ ⑧	⑧ ⑧ ⑧
⑨ ⑨ ⑨	⑨ ⑨ ⑨	⑨ ⑨ ⑨	⑨ ⑨ ⑨

B.

① ● N	● ① N	① ① ●	● ① N
-------	-------	-------	-------

<u>Select one</u> C. 5 F ● N 6 ● P N	<u>Select one</u> D. 7 F ● N 8 F P ●	<u>Select one</u> E. 9 O ● O 10 O ● O 11 O U ●
--	--	---

3. A storm damaged the roof of a new building owned by K-9 Shelters, a not-for-profit organization. A supporter of K-9, a professional roofer, repaired the roof at no charge. In K-9's statement of activities, the damage and repair of the roof should

- A. Be reported by note disclosure only.
- Ⓐ Be reported as an increase in both expenses and contributions.
- C. Be reported as an increase in both net assets and contributions.
- D. Not be reported.

## Number 4

**Question Number 4** consists of 5 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the *Objective Answer Sheet* to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

Dease City is a governmental organization that has governmental-type funds and account groups.

### Required:

**Items 1 through 5** represent transactions by governmental-type funds and account groups based on the following selected information taken from Dease City's 1997 financial records:

#### General fund

Fund balance at beginning of 1997	\$ 700,000
1997 estimated revenues	10,000,000
1997 actual revenues	10,500,000
1997 appropriations	9,000,000
1997 expenditures	8,200,000
Encumbrances at end of 1997	500,000
Vouchers payable at end of 1997	300,000
1997 operating transfers in	100,000
1997 property tax levy	9,500,000
1997 property taxes estimated to be uncollectible when property tax levy for 1997 recorded	100,000
1997 property taxes delinquent at end of 1997	150,000

#### Capital projects fund

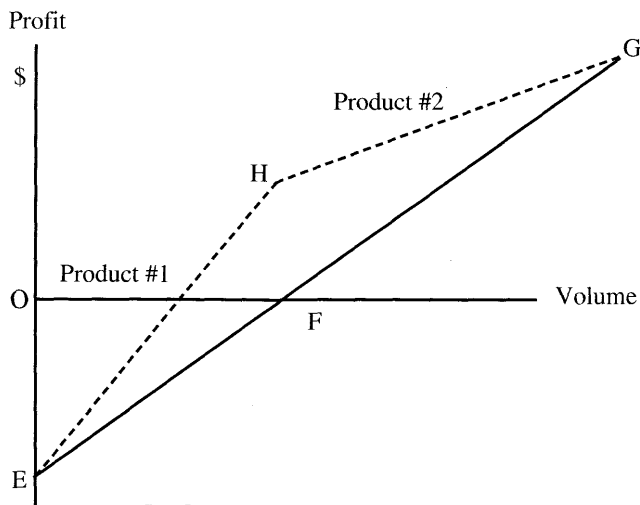
1997 operating transfers in	100,000
Construction of new library wing started and completed in 1997	
• Proceeds from bonds issued at 100 in 1997	2,000,000
• Expenditures for 1997	2,100,000

For **Items 1 through 5**, determine the amounts based solely on the above information. **The ones, tens, and hundreds columns do not appear** on the *Objective Answer Sheet*. To record your answer, blacken the ovals on the *Objective Answer Sheet*. To record a **zero** answer for an item, you must blacken all the **zero ovals** for that particular item. If zeros precede your numerical answer, blacken the zeros in the ovals preceding your answer. **You cannot receive credit for your answers if you fail to blacken an oval in each column.** You may write the numbers in the boxes provided to facilitate blackening the ovals; however, the numbers written in the boxes will **not** be graded.

1. What was the net amount credited to the budgetary fund balance when the budget was approved?
2. What was the amount of property taxes collected on the property tax levy for 1997?
3. What amount for the new library wing was included in the capital projects fund balance at the end of 1997?
4. What amount for the new library wing was charged to the general fixed assets account group at the end of 1997?
5. What amount for the new library wing bonds was included in the general long-term debt account group at the end of 1997?

ANSWER 4																			
1				2				3				4				5			
1	0	0	0	9	3	5	0	0	0	0	0	2	1	0	0	2	0	0	0
0	●	●	●	0	0	0	●	●	●	●	●	0	0	●	●	0	●	●	●
●	1	1	1	1	1	1	1	1	1	1	1	1	●	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2	2	2	●	2	2	2	●	2	2	2
3	3	3	3	3	●	3	3	3	3	3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	●	5	5	5	5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
9	9	9	9	●	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9

5. In the budgeted profit/volume chart below, EG represents a two-product company's profit path. EH and HG represent the profit paths of products #1 and #2 respectively.



Budgeted Profit/Volume Chart

Sales prices and cost behavior were as budgeted, actual total sales equaled budgeted sales, and there were no inventories. Actual profit was greater than budgeted profit. Which product had actual sales in excess of budget, and what margin does OE divided by OF represent?

	<i>Product with excess sales</i>	<i>OE/OF</i>
(A)	#1	Contribution margin
B.	#1	Gross margin
C.	#2	Contribution margin
D.	#2	Gross margin

## Business law & professional responsibilities

1. According to the profession's ethical standards, an auditor would be considered independent in which of the following instances?

- A. The auditor is the officially appointed stock transfer agent of a client.
- ☒ B. The auditor's checking account, which is fully insured by a federal agency, is held at a client financial institution.
- C. The client owes the auditor fees for more than two years prior to the issuance of the audit report.
- D. The client is the only tenant in a commercial building owned by the auditor.

2. Which of the following rights is a holder of a public corporation's cumulative preferred stock always entitled to?

- A. Conversion of the preferred stock into common stock.
- B. Voting rights.
- ☒ C. Dividend carryovers from years in which dividends were **not** paid to future years.
- D. Guaranteed dividends.

3. A decedent's will provided that the estate was to be divided among the decedent's issue, per capita and not *per stirpes*. If there are two surviving children and three grandchildren who are children of a predeceased child at the time the will is probated, how will the estate be divided?

- A.  $\frac{1}{2}$  to each surviving child.
- B.  $\frac{1}{3}$  to each surviving child and  $\frac{1}{6}$  to each grandchild.
- C.  $\frac{1}{4}$  to each surviving child and  $\frac{1}{6}$  to each grandchild.
- ☒ D.  $\frac{1}{5}$  to each surviving child and each grandchild.



## Number 4

**Question Number 4** consists of 10 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the *Objective Answer Sheet* to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

On April 15, 1997, Wren Corp., an appliance wholesaler, was petitioned involuntarily into bankruptcy under the liquidation provisions of Chapter 7 of the Federal Bankruptcy Code.

When the petition was filed, Wren's creditors included:

<u>Secured creditors</u>	<u>Amount owed</u>
Fifth Bank—1st mortgage on warehouse owned by Wren	\$50,000
Hart Manufacturing Corp.—perfected purchase money security interest in inventory	30,000
TVN Computers, Inc.—perfected security interest in office computers	15,000
 <u>Unsecured creditors</u>	 <u>Amount owed</u>
IRS—1995 federal income taxes	\$20,000
Acme Office Cleaners—services for January, February, and March 1997	750
Ted Smith (employee)—February and March 1997 wages	2,400
Joan Sims (employee)—March 1997 commissions	1,500
Power Electric Co.—electricity charges for January, February, and March 1997	600
Soft Office Supplies—supplies purchased in 1996	2,000

All of Wren's assets were liquidated. The warehouse was sold for \$75,000, the computers were sold for \$12,000, and the inventory was sold for \$25,000. After paying the bankruptcy administration expenses of \$8,000, secured creditors, and priority general creditors, there was enough cash to pay each non-priority general creditor 50 cents on the dollar.

**Required:**

**A. Items 66 through 70** represent creditor claims against the bankruptcy estate. Select from List I each creditor's order of payment in relation to the other creditors named in **Items 66 through 70** and blacken the corresponding oval on the *Objective Answer Sheet*.

- 66. Bankruptcy administration expense
- 67. Acme Office Cleaners
- 68. Fifth Bank
- 69. IRS
- 70. Joan Sims

List I	
(A) First	(D) Fourth
(B) Second	(E) Fifth
(C) Third	

**B. Items 71 through 75** also represent creditor claims against the bankruptcy estate. For each of the creditors listed in **Items 71 through 75**, select from List II the amount that creditor will receive and blacken the corresponding oval on the *Objective Answer Sheet*.

- 71. TVN Computers, Inc.
- 72. Hart Manufacturing Corp.
- 73. Ted Smith
- 74. Power Electric Co.
- 75. Soft Office Supplies

		List II	
	(F)		
(A) \$0	(G)	\$ 2,000	(K) \$15,000
(B) \$ 30	(H)	\$ 2,200	(L) \$25,000
(C) \$ 60	(I)	\$ 2,400	(M) \$27,500
(D) \$ 1,00	(J)	\$12,000	(N) \$30,000
(E) \$ 1,20		\$13,500	

(10 points)

ANSWER 4	A.	Item	Select one												
	66	(A)	<input checked="" type="radio"/>	(C)	(D)	(E)									
	67	(A)	(B)	(C)	(D)	<input checked="" type="radio"/>									
	68	<input checked="" type="radio"/>	(B)	(C)	(D)	(E)									
	69	(A)	(B)	(C)	<input checked="" type="radio"/>	(E)									
	70	(A)	(B)	<input checked="" type="radio"/>	(D)	(E)									
	B.	Item	Select one												
	71	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	<input checked="" type="radio"/>	(K)	(L)	(M)	(N)
	72	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	<input checked="" type="radio"/>	(N)
	73	(A)	(B)	(C)	(D)	(E)	(F)	(G)	<input checked="" type="radio"/>	(I)	(J)	(K)	(L)	(M)	(N)
74	(A)	<input checked="" type="radio"/>	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	
75	(A)	(B)	(C)	<input checked="" type="radio"/>	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	

## **Number 5**

Suburban Properties, Inc. owns and manages several shopping centers.

On May 4, 1997, Suburban received from Bridge Hardware, Inc., one of its tenants, a signed letter proposing that the existing lease between Suburban and Bridge be modified to provide that certain utility costs be equally shared by Bridge and Suburban, effective June 1, 1997. Under the terms of the original lease, Bridge was obligated to pay all utility costs. On May 5, 1997, Suburban sent Bridge a signed letter agreeing to share the utility costs as proposed. Suburban later changed its opinion and refused to share in the utility costs.

On June 4, 1997, Suburban received from Dart Associates, Inc. a signed offer to purchase one of the shopping centers owned by Suburban. The offer provided as follows: a price of \$9,250,000; it would not be withdrawn before July 1, 1997; and an acceptance must be received by Dart to be effective. On June 9, 1997, Suburban mailed Dart a signed acceptance. On June 10, before Dart had received Suburban's acceptance, Dart telephoned Suburban and withdrew its offer. Suburban's acceptance was received by Dart on June 12, 1997.

On June 22, 1997, one of Suburban's shopping centers was damaged by a fire, which started when the center was struck by lightning. As a result of the fire, one of the tenants in the shopping center, World Popcorn Corp., was forced to close its business and will be unable to reopen until the damage is repaired. World sued Suburban, claiming that Suburban is liable for World's losses resulting from the fire. The lease between Suburban and World is silent in this regard.

Suburban has taken the following positions:

- Suburban's May 5, 1997, agreement to share equally the utility costs with Bridge is not binding on Suburban.
- Dart could not properly revoke its June 4 offer and must purchase the shopping center.
- Suburban is not liable to World for World's losses resulting from the fire.

**Required:**

In separate paragraphs, determine whether Suburban's positions are correct and state the reasons for your conclusions.

**Answer 5** (10 points)

Suburban is correct concerning the agreement to share utility costs with Bridge. A modification of a contract requires consideration to be binding on the parties. Suburban is not bound by the lease modification because Suburban did not receive any consideration in exchange for its agreement to share the cost of utilities with Bridge.

Suburban is not correct with regard to the Dart offer. An offer can be revoked at any time prior to acceptance. This is true despite the fact that the offer provides that it will not be withdrawn prior to a stated time. If no consideration is given in exchange for this promise not to withdraw the offer, the promise is not binding on the offeror. The offer provided that Suburban's acceptance would not be effective until received. Dart's June 10 revocation terminated Dart's offer. Thus, Suburban's June 9 acceptance was not effective.

Suburban is correct with regard to World's claim. The general rule is that destruction of, or damage to, the subject matter of a contract without the fault of either party terminates the contract. In this case, Suburban is not liable to World because Suburban is discharged from its contractual duties as a result of the fire, which made performance by it under the lease objectively impossible.

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## **Appendix B—Boards of Accountancy**

For information on how to become a Certified Public Accountant (CPA) and how to apply to take the Uniform CPA Examination, you should contact the board of accountancy in the jurisdiction in which you wish to obtain the CPA designation.

### **ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY**

RSA Plaza, Suite 236  
770 Washington Avenue  
Montgomery, AL 36130-0375  
Attn: J. Lamar Harris  
Executive Director  
Tel: (334) 242-5700  
Fax: (334) 242-2711

### **ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY**

Dept. of Commerce and Economic Dev.  
Div. of Occ. Licensing, Box 110806  
Juneau, AK 99811-0806  
Attn: Steven Snyder  
Licensing Examiner  
Tel: (907) 465-2580  
Fax: (907) 465-2974  
Web Site: <http://www.state.ak.us/local/akpages/COMMERCE/occllic.htm/pcpa.htm>

### **ARIZONA STATE BOARD OF ACCOUNTANCY**

3877 North Seventh Street, Suite 106  
Phoenix, AZ 85014  
Attn: Ruth R. Lee  
Executive Director  
Tel: (602) 255-3648  
Fax: (602) 255-1283  
Web Site: <http://www.accountancy.state.az.us>

### **ARKANSAS STATE BOARD OF ACCOUNTANCY**

101 East Capitol, Suite 430  
Little Rock, AR 72201  
Attn: Rollie Friess  
Executive Director  
Tel: (501) 682-1520  
Fax: (501) 682-5538

**CALIFORNIA STATE BOARD  
OF ACCOUNTANCY**

2000 Evergreen Street  
Suite 250

Sacramento, CA 95815-3832

Attn: Carol B. Sigmann  
Executive Officer

Tel: (916) 263-3680

Fax: (916) 263-3674

Web Site: [http://www.commerce.ca.us/  
doc/business/small/management/pub/license/lh016.html](http://www.commerce.ca.us/doc/business/small/management/pub/license/lh016.html)

**COLORADO STATE BOARD  
OF ACCOUNTANCY**

1560 Broadway, Suite 1370  
Denver, CO 80202

Attn: Mary Lou Burgess  
Administrator

Tel: (303) 894-7800

Fax: (303) 894-7790

Web Site: [http://www.state.co.us/  
gov\\_dir/regulatory\\_dir/acc.htm](http://www.state.co.us/gov_dir/regulatory_dir/acc.htm)

**CONNECTICUT STATE BOARD  
OF ACCOUNTANCY**

Secretary of the State  
30 Trinity Street, PO Box 150470  
Hartford, CT 06115-0470

Attn: David Guay  
Executive Director

Tel: (860) 566-7835

Fax: (860) 566-5757

Web Site: [http://www.state.ct.us/sots/  
bdacc.htm](http://www.state.ct.us/sots/bdacc.htm)

**DELAWARE STATE BOARD  
OF ACCOUNTANCY**

Cannon Building, Suite 203  
PO Box 1401

Dover, DE 19903

Attn: Sheila H. Wolfe  
Administrative Assistant

Tel: (302) 739-4522

Fax: (302) 739-2711

**DISTRICT OF COLUMBIA BOARD  
OF ACCOUNTANCY**

Dept. of Consumer & Reg. Aff., Rm 923  
614 H Street, NW c/o PO Box 37200  
Washington, DC 20013-7200

Attn: Harriette E. Andrews  
Administrator

Tel: (202) 727-7473

Fax: (202) 727-7662

**FLORIDA BOARD OF ACCOUNTANCY**

2610 N.W. 43rd Street, Suite 1A  
Gainesville, FL 32606-4599

Attn: Martha P. Willis  
Division Director

Tel: (352) 955-2165

Fax: (352) 955-2164

Web Site: [http://www.state.fl.us/dbpr/  
html/cpa](http://www.state.fl.us/dbpr/html/cpa)

**GEORGIA STATE BOARD  
OF ACCOUNTANCY**

166 Pryor Street, SW  
Atlanta, GA 30303

Attn: Barbara Kitchens  
Executive Director

Tel: (404) 656-2281

Fax: (404) 651-9532

**GUAM BOARD OF ACCOUNTANCY**

PO Box 5753

Agana, GU 96932

Attn: Lisa A. Leon Guerrero  
Administrative Director

Tel: (671) 646-5044

Fax: (671) 646-5045

**HAWAII BOARD OF  
PUBLIC ACCOUNTANCY**

Dept. of Commerce & Consumer Affairs

PO Box 3469

Honolulu, HI 96801-3469

Attn: Verna Oda  
Executive Officer

Tel: (808) 586-2694

Fax: (808) 586-2689

**IDAHO STATE BOARD  
OF ACCOUNTANCY**

P.O. Box 83720

Boise, ID 83720-0002

Attn: Barbara Porter  
Executive Director

Tel: (208) 334-2490

Fax: (208) 334-2615

Web Site: [http://www.idwr.state.id.us/](http://www.idwr.state.id.us/apa/idapa01/01index.htm)  
[apa/idapa01/01index.htm](http://www.idwr.state.id.us/apa/idapa01/01index.htm)

**ILLINOIS BOARD OF EXAMINERS**

505 East Green Street, Suite 216

Champaign, IL 61820-5723

Attn: Joanne Vician  
Executive Director

Tel: (217) 333-1565

Fax: (217) 333-3126

Web Site: <http://www.illinois-cpa-exam.com>

**ILLINOIS PUBLIC ACCOUNTANTS  
REGISTRATION COMMITTEE**

Public Accountancy Section

320 W. Washington Street, 3rd Floor  
Springfield, IL 62786-0001

Attn: Daniel Harden  
Board Liaison

Tel: (217) 785-0800

Fax: (217) 782-7645

**INDIANA BOARD OF ACCOUNTANCY**

IN Prof. Lic. Agc., IN Gov. Ctr. S.

302 West Washington Street, Rm. E034  
Indianapolis, IN 46204-2246

Attn: Nancy Smith  
Exam Coordinator

Tel: (317) 232-5987

Fax: (317) 232-2312

**IOWA ACCOUNTANCY  
EXAMINING BOARD**

1918 S.E. Hulsizer Avenue

Ankeny, IA 50021-3941

Attn: William M. Schroeder  
Executive Secretary

Tel: (515) 281-4126

Fax: (515) 281-7411

Web Site: [http://www/state.ia.us/](http://www/state.ia.us/government/com/prof/acct/acct.htm)  
[government/com/prof/acct/](http://www/state.ia.us/government/com/prof/acct/acct.htm)  
[acct.htm](http://www/state.ia.us/government/com/prof/acct/acct.htm)

**KANSAS BOARD OF ACCOUNTANCY**

Landon State Office Building

900 S.W. Jackson, Suite 556

Topeka, KS 66612-1239

Attn: Susan Somers  
Executive Director

Tel: (913) 296-2162

Fax: (913) 291-3501



**KENTUCKY STATE BOARD  
OF ACCOUNTANCY**

332 West Broadway, Suite 310  
Louisville, KY 40202-2115

Attn: Susan G. Stopher  
Executive Director

Tel: (502) 595-3037

Fax: (502) 595-4281

**STATE BOARD OF CPAs OF LOUISIANA**

Pan-American Life Center  
601 Poydras Street, Suite 1770  
New Orleans, LA 70130

Attn: Michael A. Henderson, CPA  
Executive Director

Tel: (504) 566-1244

Fax: (504) 566-1252

**MAINE STATE BOARD  
OF ACCOUNTANCY**

Dept. of Prof. & Fin. Reg., Div. of  
Lic. & Enf., State House Station 35  
Augusta, ME 04333

Attn: Cheryl Hersom  
Administrator

Tel: (207) 624-8603

Fax: (207) 624-8637

Web Site: [http://www.state.me.us/pfr/  
led/account/acchome2.htm](http://www.state.me.us/pfr/led/account/acchome2.htm)

**MARYLAND STATE BOARD OF  
PUBLIC ACCOUNTANCY**

500 N. Calvert Street, Room 308  
Baltimore, MD 21202-3651

Attn: Sue Mays  
Executive Director

Tel: (410) 333-6322

Fax: (410) 333-6314

Web Site: [http://www.dllr.state.md.us/  
occprof/account.htm](http://www.dllr.state.md.us/occprof/account.htm)

**MASSACHUSETTS BOARD  
OF PUBLIC ACCOUNTANCY**

Saltonstall Building, Gov't Center  
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# Appendix C—Uniform CPA Examination Publications Order Form

## CANDIDATE KIT

**The Candidate Kit** includes the following three study aids: *Uniform CPA Examination Selected Questions & Unofficial Answers Indexed to Content Specification Outlines*, Uniform CPA Examination Calculator, and *Information for Uniform CPA Examination Candidates*, 14th Edition.

	<u>Member</u>	<u>Nonmember</u>
No. 875035VV per kit	\$75.00	\$82.50
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## UNIFORM CPA EXAMINATION SELECTED QUESTIONS & UNOFFICIAL ANSWERS INDEXED TO CONTENT SPECIFICATION OUTLINES

This study aid indexes past Uniform CPA Examination questions and unofficial answers according to each Examination section's content specification outline. The content of this publication is discussed below.

- *The questions were selected by the staff of the AICPA Examinations Team and arranged by question format: multiple-choice, other objective answer format, and essay questions and problems.*

- *The unofficial answers were prepared by the staff and reviewed by the AICPA Board of Examiners.*
- *Questions from nondisclosed Examinations have been included.*
- *A Summary of Coverage for the May 1996–May 1997 Examinations has been added. The Summary lists the total number of nondisclosed questions by section, format, and content specification outline.*

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No. 079251VV—when ordered separately	\$67.50	\$75.00
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## **UNIFORM CPA EXAMINATION CALCULATOR**

The calculator is similar to the calculator used on the Uniform CPA Examination. Exact details may vary between this model and the actual Examination calculator.

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## **INFORMATION FOR UNIFORM CPA EXAMINATION CANDIDATES, 14th Edition**

This booklet provides the content specification outlines for each section of the Examination, a directory of the State Boards of Accountancy, instructions for Examination day, and other pertinent information concerning the Examination.

**All candidates should read this booklet before taking the Uniform CPA Examination.**

	<u>Member</u>	<u>Nonmember</u>
No. 874075VV — when ordered separately	\$5.50	\$6.00
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## OTHER EXAMINATIONS TEAM PUBLICATIONS

### BOARD OF EXAMINERS' 1997 UNIFORM CPA EXAMINATION ANNUAL REPORT

The 1997 Annual Report includes the results of the 1997 Uniform CPA Examinations, such as the number of candidates, passing percentages, writing skills performance, and costs to develop the Examination. The Report also discusses the year's notable events and future projects, such as computerization of the Examination.

	<u>Member</u>	<u>Nonmember</u>
No. 875032VV ( <b>Available Spring 1998</b> )	\$5.75	\$6.50
<i>Educational discount price</i>	\$4.02	\$4.55

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### UNIFORM CPA EXAMINATION PREPARATION GUIDE

The Preparation Guide discusses question writing in the larger context of question development and licensing, and contains guidelines and illustrations for writing good Uniform CPA Examination questions.

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**INFORMATION FOR INTERNATIONAL  
UNIFORM CPA QUALIFICATION EXAMINATION  
CANDIDATES, 1st Edition**

This booklet is designed to inform Australian and Canadian Chartered Accountants about the International Uniform Certified Public Accountant Qualification Examination (IQEX). Following a statement on the purpose and general objectives of IQEX, the booklet discusses the content and format of the examination.

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